Atlantic Provinces Transportation Commission

# Transportation Review

# and

# Annual Report

**. . . Over 60 Years of Service**

1991.1992

Atlantic Provinces Transportation Commission

# Transportation Review and Annual Report for the Year Ended March 31, 1992

The Atlantic Provinces Transportation Commission has offices at Suite 210, 236 St. George Street, Moncton, New Brunswick. The services of the Comission are available to individuals, corporations and trade groups doing business in the Provinces of Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador.

93-00137/

# Atlantic Provinces Transportation Commission

P. O. Box 577
Moncton
New Brunswick
E1C 8L9

Tel. (506) 857-2820
Fax. (506) 857-2835

*The Honourable Sheldon Lee*
*Minister of Transportation*
*Province of New Brunswick*
*Fredericton, NB*

*The Honourable Aubrey Gover*
*Minister of Works, Services & Transportation*
*Province of Newfoundland and Labrador*
*St. John's, NF*

*The Honourable Ken Streatch*
*Minister of Transportation*
*Province of Nova Scotia*
*Halifax, NS*

*The Honourable Tom Dunphy*
*Minister of Transportation & Public Works*
*Province of Prince Edward Island*
*Charlottetown, PE*

*Honourable Ministers:*

*On behalf of the Directors, I am pleased to present the Transportation Review and Annual Report of the Atlantic Provinces Transportation Commission for the period April 1, 1991, to March 31, 1992. This report attempts to review transportation developments in Canada, particularly as they relate to the Atlantic Provinces. In addition, it covers some of the activities of the Commission during the year 1991-92.*

*Many industries throughout the Atlantic Region have benefited again this year from the Commission's activities. In addition, many issues of major importance to the region were addressed this past year by the Commission. This service to the business community and to your governments is possible only through the financial support provided by the Governments of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.*

*Mindful of the investment of public funds in the Commission, I am pleased to report that, in my opinion, the operations of the Commission are conducted in an efficient and business-like manner.*

*All of which is respectfully submitted.*

David A. Scales

*David A. Scales*
*Chairman*

## *LETTER FROM THE GENERAL MANAGER*

*Near the conclusion of the past year, the federal Minister of Transport announced the terms of reference and appointment of members of a panel to conduct a comprehensive review of transportation economic regulatory legislation. This flows from a requirement of the legislation (Section 266 of the "National Transportation Act, 1987") which is part of a commitment made by the government when the regulatory reforms were introduced roughly five years ago.*

*At the conclusion of the year, the APTC staff was putting the finishing touches on its submission to the Review Commission. The process provides an opportunity to review the impact of the legislation on the Atlantic Region and reflect back to the response made when the reforms were originally proposed.*

*In 1985, when the regulatory reform proposals were first introduced in the form of a white paper entitled, "Freedom to Move", initial reaction in the Atlantic Provinces was one of scepticism. There were a number of concerns with the reforms, not the least of which was the legalization of confidential contracts and the perception that smaller shippers, and particularly shippers in the Atlantic Provinces, would be placed at a further disadvantage in the marketplace (i.e., because of the stronger bargaining position of larger shippers). Rather than outright opposition or any attempt to scuttle the proposed reforms, the region responded by accepting the overall concept and framework while, at the same time, seeking specific modifications and safeguards - a strategy that brought with it a significant degree of accommodation in response to the needs of the Atlantic Provinces.*

*The APTC is in the fortunate position of having conducted annual surveys of shippers and carriers in the Atlantic Provinces, starting in 1987 and concluding in 1991, including the preparation of annual reports of the results, under contract with the National Transportation Agency. As a result, the APTC has a far better insight into the adequacy of services and changes in rates and is in a good position to represent the interests of shippers before the Review Commission.*

*While the economic recession has, to a large degree, obscured the full impact of deregulation, all of the available indicators, including survey results, suggest that shippers in the Atlantic Provinces have not been handicapped or placed in a less favourable competitive position. Keeping in mind that the former regulatory framework did little to protect shippers while, at the same time, inhibiting competition and meaningful cost cutting through rationalization, the conclusion becomes obvious that overall economic deregulation has been a success.*

*This conclusion must be tempered with the reality that all is not well in the context of the overall transportation environment. As Canadians, there is reason to believe that we are not making the best use of available transportation resources at the lowest total cost pursuant to the dictum of our national transportation policy. There are clear examples of distortions in the tax system, both federally and provincially, and a general lack of coordination and cooperation between different levels of government responsible for transportation. It was this background that prompted the APTC to develop a "Discussion Paper on Atlantic Region Freight Transportation Issues".*

*Readers are encouraged to read the section highlighting the contents of the discussion paper on page 24 of this report. Copies of the full paper are available upon request.*

*Ramsay M. S. Armitage*
*General Manager*

# CONTENTS

PAGE

*Directors* . . . 8
*1990-91 Executive Committee* . . . 9
*Board of Directors* . . . 11
*Commission Staff* . . . 12
*Object and Functions of the APTC* . . . 13
*General Transportation Review* . . . 14
- *Introduction* . . . 14
- *Rail* . . . 14
- *Highway* . . . 16
- *Air* . . . 17
- *Marine* . . . 18
- *Ferries* . . . 21
- *General Level of Rates* . . . 22

*APTC Regulatory Reform Monitoring* . . . 23
*Atlantic Region Freight Transportation Issues* . . . 24
*Royal Commission on National Passenger Transportation* . . . 25
*Motor Carrier Licensing Developments* . . . 26
*Federal Task Force on the Trucking Industry* . . . 27
*CCMTA Owner-Operator Task Force* . . . 27
*Vehicle Weights and Dimensions* . . . 28
*Rail Abandonments* . . . 29
- *Essential Rail Network* . . . 30

*Truro-Sydney Rail Line* . . . 31
*Newfoundland Terms of Union (ACE Complaint)* . . . 32
*Maritime Economic Cooperation* . . . 33
*Transport Canada Cost Recovery* . . . 34
*Atlantic Port Competitiveness* . . . 34
*Trans Border Air Services Liberalization* . . . 36
*National Transportation Act Comprehensive Review* . . . 36
- *Motor Vehicle Transport Act* . . . 37
- *Shipping Conferences Exemption Act* . . . 37

*Atlantic Region Freight Assistance* . . . 38
- *Additional Commodity Coverage* . . . 38
- *Proposed Spending Control Act* . . . 38
- *Proposed Administration Changes* . . . 38

*Peat Moss to Japan* . . . 40
*Grain Elevators in Atlantic Canada* . . . 40
*Coasting Trade Legislation* . . . 41
*Agri-Food Transportation Initiatives* . . . 42
*Prince Edward Island Fixed Crossing* . . . 42
*Service to Industry* . . . 43
*Meetings and Conferences* . . . 44
*Other Activities* . . . 45
*Commission Directors* . . . 46
*Staff Changes* . . . 46
*Acknowledgments* . . . 47
*APTC Historical Notes* . . . 48

## *APTC DIRECTORS AT MARCH 31, 1992*

**NOVA SCOTIA**

**Government**

| | |
|---|---|
| D. J. MacDougall | Halifax, NS |
| I. Parker | Truro, NS |
| G. Comeau | Church Point, NS |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| E. R. Dalton | Port Williams, NS |
| J. H. MacDonnell | Port Hawkesbury, NS |
| D. G. McNeil | Liverpool, NS |

**NEW BRUNSWICK**

**Government**

| | |
|---|---|
| F. H. Hatfield | Hartland, NB |
| D. L. Johnson | Fredericton, NB |
| D. Kenny | Bathurst, NB |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| F. Beairsto | Fredericton, NB |
| T. Millar | Saint John, NB |
| (One Vacancy) | |

**PRINCE EDWARD ISLAND**

**Government**

| | |
|---|---|
| K. A. MacKenzie | Charlottetown, PE |
| D. A. Scales | Charlottetown, PE |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| G. Ching | Souris, PE |
| G. Key | Summerside, PE |

**NEWFOUNDLAND AND LABRADOR**

**Government**

| | |
|---|---|
| W. T. Beckett | St. John's, NF |
| E. Hearn | Labrador City, NF |

**Atlantic Provinces Chamber of Commerce**

| | |
|---|---|
| B. K. Wentzell | Corner Brook, NF |
| W. E. Doyle | St. John's, NF |

**EX OFFICIO**

| | |
|---|---|
| P. J. Daigle, President, Atlantic Provinces Chamber of Commerce | Moncton, NB |

## *STAFF*

Ramsay M. S. Armitage, General Manager
Peter A. Vuillemot, Assistant General Manager
Jack A. MacQuarrie, Transportation & Distribution Officer
Dale V. Ronalds, Senior Transportation Analyst
Brian A. Botten, Research Analyst
Daniel E. Long, Research Analyst
Debbie E. Matchett, Transportation Analyst
Mona E. Savoie, Transportation Analyst
Charles D. Mollins, Information Systems Officer
Sheldon B. Steeves, Administration & Accounting Officer
Cathy E. Peters, Staff Secretary
Laurel B. Cliff, Assistant Staff Secretary

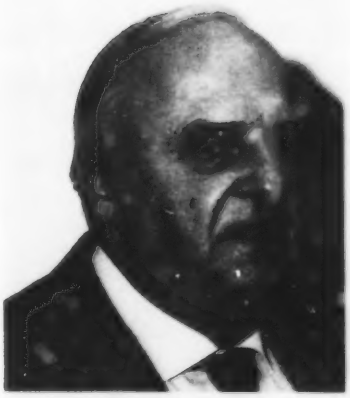
# *1991 - 1992 EXECUTIVE COMMITTEE*

**DAVID A. SCALES**
Chairman, APTC
and President
Island Fertilizers Ltd.
Charlottetown, PE

**IRA PARKER**
Vice-Chairman, APTC
and Vice-President
Corporate Development
Crossley Carpet Mills Ltd.
Truro, NS

**BRIAN K. WENTZELL**
Past Chairman, APTC
Barrister & Solicitor
Poole, Althouse, Clarke,
Thompson & Thomas
Corner Brook, NF

**W. TOM BECKETT**
Director, Policy & Planning
Province of Newfoundland
and Labrador
St. John's, NF



**FRED H. HATFIELD**
General Manager Emeritus
Humpty Dumpty Foods Limited
Hartland, NB

# *1991 - 1992 EXECUTIVE COMMITTEE*

**DOUGLAS L. JOHNSON**
Director, Transportation &
Communications Policy Branch
Province of New Brunswick
Fredericton, NB

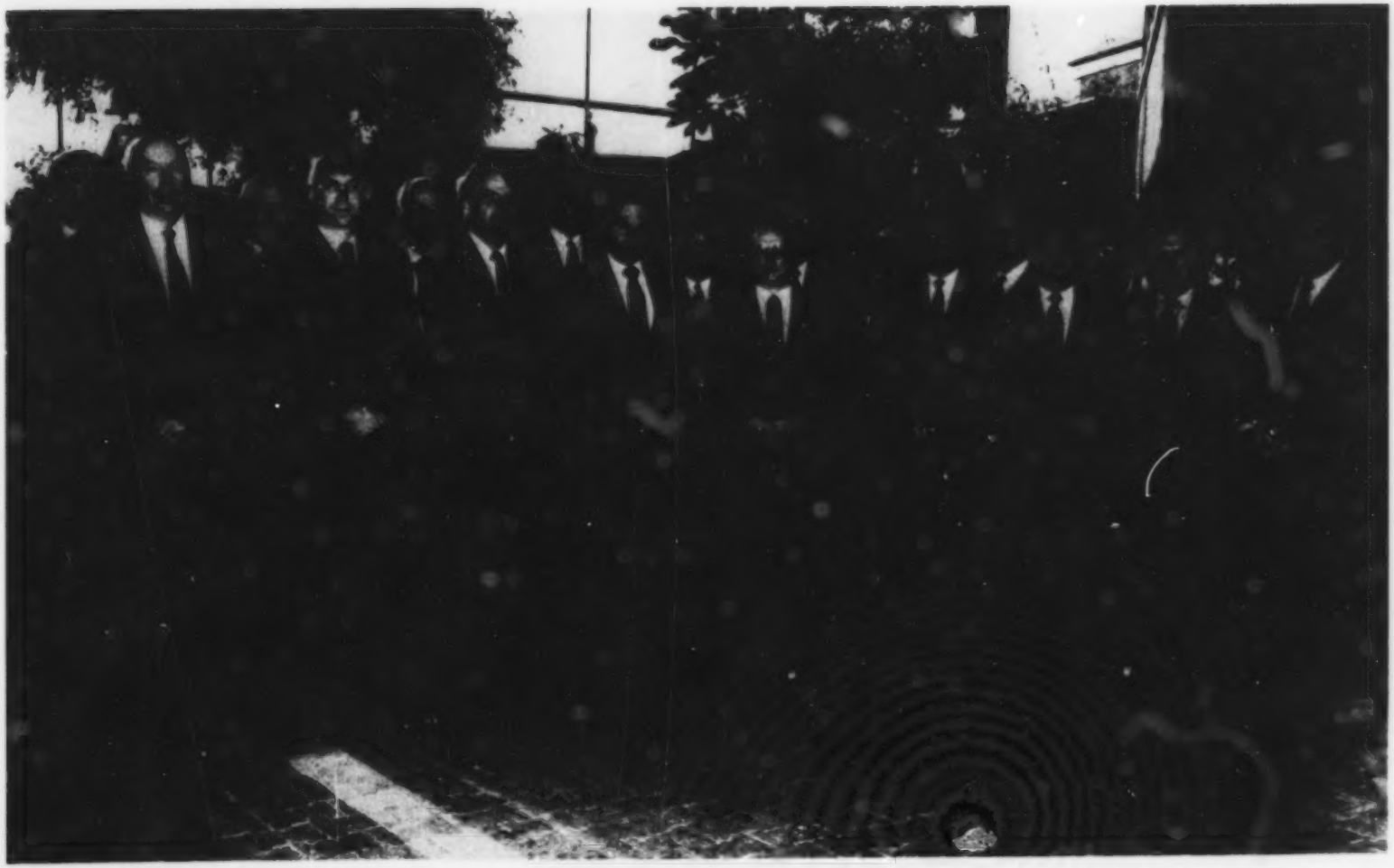
**DON J. MacDOUGALL**
Director, Transportation Policy
Province of Nova Scotia
Halifax, NS

**KEN A. MacKENZIE**
Director, Transportation Policy
Province of Prince Edward Island
Charlottetown, PE

**RAMSAY M. S. ARMITAGE**
General Manager
Atlantic Provinces
Transportation Commission
Moncton, NB

## *BOARD OF DIRECTORS*

*(As at October 24, 1991)*



Left to Right: E. Hearn, G. Key, D. Kenny, W. E. Doyle, D. Miller, D. L. Johnson, G. Ching, K. A. MacKenzie, E. R. Dalton, W. T. Beckett, I. Parker, B. K. Wentzell, T. Millar, D. J. MacDougall, D. G. McNeil, J. H. MacDonnell, F. H. Hatfield, F. Beairsto; Missing From Photo: D. A. Scales, Chairman, and Senator Gerald Comeau

## COMMISSION STAFF

Left to Right: Seated - Mona Savoie, Jack MacQuarrie, Ramsay Armitage, Peter Vuillemot, Debbie Matchett;
Standing - Cathy Peters, Charles Mollins, Brian Botten, Sheldon Steeves, Dan Long, Dale Ronalds, Laurel Cliff

# OBJECT AND FUNCTIONS OF THE ATLANTIC PROVINCES TRANSPORTATION COMMISSION

The object of the Atlantic Provinces Transportation Commission is to obtain for persons and industries in the Atlantic Provinces the best transportation services possible at a cost which will permit the Atlantic Provinces to compete in the markets of Canada and throughout the world.

To this end, included in the functions of the Atlantic Provinces Transportation Commission, as approved by the Directors of the Commission, are:

*(1) To maintain suitable files of carriers' tariffs and other publications to provide shippers, receivers and non-government agencies with data and expertise on rates and charges by all modes of transport;*

*(2) To circulate information on transportation developments, including rates, service and policy changes; a periodical newsletter, "Tips & Topics", being one of the vehicles used for this purpose;*

*(3) To negotiate directly with, or to make representations to, carriers or their agencies on behalf of all transportation users to obtain the best possible rates and services;*

*(4) To assist shippers, receivers and non-government agencies or groups with advice on transportation or distribution matters, including the preparation and presentation of briefs and submissions;*

*(5) To assist carriers when such assistance is consistent with the Commission's overall objective;*

*(6) To provide technical advice to the governments and government agencies of the Atlantic Provinces, including detailed studies on specific industries and continuing programs tailored to the needs of the particular province or provinces;*

*(7) To supply information to the governments of the Atlantic Provinces, individually or collectively, pertinent to the assessment or formulation of transportation policy;*

*(8) To assist the governments of the Atlantic Provinces, individually or collectively, in the preparation and presentation of submissions and representations to the federal government or its agencies;*

*(9) To continually review the transportation system serving the region and, where required, make recommendations to the provincial governments for improvements in the system whether it be public or private;*

*(10) To make representations to the provincial governments, subject to the approval of the Directors of the Commission; and,*

*(11) To make such public statements or submissions in regard to federal or provincial policy as shall be approved by its Directors, the provincial governments, or both.*

The services of the Commission are available by contacting the Commission's office at 236 St. George Street (Suite 210), Moncton, NB. Inquiries should be directed to the General Manager, Atlantic Provinces Transportation Commission, P. O. Box 577, Moncton, NB, E1C 8L9, Telephone (506) 857-2820, Fax (506) 857-2835.

# GENERAL TRANSPORTATION REVIEW

## Introduction

While the poor economic environment facing the transportation industry in the last year remained a stumbling block for carriers, a number of service enhancements were implemented. Included among these are the domestic double-stack service between Moncton/Montreal/Toronto, as well as the import/export (impex) double-stack service through the Port of Halifax, by CN Rail; highway construction; and a number of additions to airport and port facilities throughout the region.

Freight rates, in general, remained stable with the last of the fuel surcharges implemented in late 1990/early 1991 being eliminated before mid-year 1991.

A number of concerns remained in the forefront in 1990-91 which challenged the transportation industry in Atlantic Canada. These included: motor carrier financial stability; Atlantic port competitiveness; highway construction; and costly regulatory changes.

## Rail

Total rail carload tonnage loaded in Canada increased by .2% in 1991 as shown in *Table 1*. Eastern Canadian loadings declined by 4%, while intermodal container and trailer traffic showed decreases of 15.8% and 7% respectively.

*Table 1*

**RAILWAY CARLOADINGS**
**(Tonnes '000)**

| | 1991 | 1990 | % Change |
|---|---|---|---|
| Carload Traffic Loaded - Eastern Division | 102,858.8 | 107,129.5 | -4.0 |
| Carload Traffic Loaded - Western Division | 135,320.4 | 130,461.5 | 3.7 |
| Carload Traffic Loaded | 238,179.2 | 237,591.0 | 0.2 |
| Non-Carload Traffic Loaded | 37.0 | 31.0 | 19.4 |
| Containers on Flat Car Loaded | 7,658.3 | 9,094.8 | -15.8 |
| Trailers on Flat Car Loaded | 3,642.5 | 3,916.8 | -7.0 |

Source: Statistics Canada Railway Carloadings December, 1991, Catalogue 52-001

Financial results of Canadian National Railway and Canadian Pacific Limited, as taken from the companies' 1991 annual reports, for transportation related services are shown in *Table 2*.

*Table 2*

**CANADIAN NATIONAL RAILWAYS**
**(In Millions $)**

| | 1991 | 1990 |
|---|---|---|
| System Net Profit | -14.3 | 7.7 |
| Income From Divisions Before Taxes: | | |
| CN Rail | -19.1 | -100.2* |
| Grand Trunk Corporation | -55.4 | -10.6 |

**CANADIAN PACIFIC LIMITED**
**(In Millions $)**

| | | |
|---|---|---|
| System Profit | -913.8 | 355.3 |
| Operating Income - Transportation | -14.8 | 294.3 |
| Operating Income From Divisions: | | |
| CP Rail | 24.5 | 316.1 |
| CP Ships | -6.9 | 1.7 |
| CP Trucks | -32.4 | -23.5 |

* Corrected total

Source: Canadian National Railway Annual Report
Canadian Pacific Limited Annual Report

Transportation subsidy payments received to December 31, 1991, by Canadian Railways under the terms of the National Transportation Act, 1987, are illustrated in *Table 3* below and *Graph 1*.

*Table 3*

**TRANSPORTATION SUBSIDY PAYMENTS ADMINISTERED UNDER THE TERMS OF THE NATIONAL TRANSPORTATION ACT, 1987**
**(Payments to December 31, 1991)**

| | 1991 | 1990 |
|---|---|---|
| | (In Millions $) | |
| Western Grain Transportation Act | 778.9 | 645.2 |
| Branch Lines Operated by Railways | 8.4 | 35.0* |
| At and East | # | 1.8 |
| Non-VIA Passenger Train Service | 5.7 | 5.8 |
| Total | 793.0 | 687.8 |

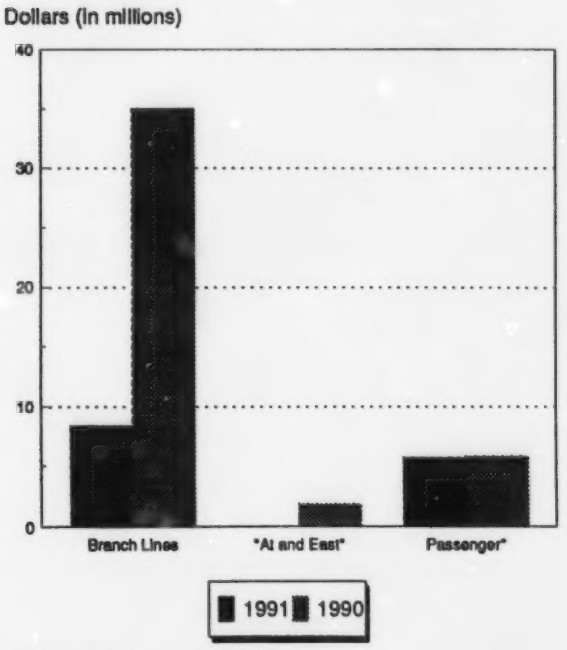
* Includes payments for prior year.

\# "At and East" export grain and flour subsidy cancelled effective July 15, 1989.

Source: National Transportation Agency Annual Report 1990 and 1991

*Graph 1*

**TRANSPORTATION SUBSIDY PAYMENTS**




* Non-VIA Passenger Train Service

Source: National Transportation Agency Annual Report 1990 and 1991

The domestic double-stack service between Moncton and Toronto, announced by CN Rail in 1990, began in mid-1991. The containers being used in double-stack service can handle any payload that can be moved in a 48-foot trailer, which is fast becoming the industry standard in eastern and central Canada. The double-stack service is operating initially in the Moncton-Montreal-Toronto corridor.

The Province of Nova Scotia and CN Rail announced in September, 1991, that an agreement had been reached with Canadian National to bring double-stack container service to the Port of Halifax. The system, asserted to be the latest in rail transportation technology, was introduced to the Halifax-Montreal-Toronto corridor thereby assisting the Port of Halifax in maintaining its competitive edge as an international shipping terminal for the movement of impex containers. The agreement reached between the province and CN provides for the manufacture, in Nova Scotia, of 80 "5-pak" double-stack cars which will be dedicated to the service. CN Rail's commitment specified that the rates charged to customers of the Port of Halifax be reduced. Rates were reduced by approximately 9% in October, 1991, an amount said to be equal to the reduction in operating costs incurred by CN. Effective January 1, 1992, CN initiated a 4% increase on these rates. The province agreed to provide for the costs associated with the first three and one-half years of a ten-year lease arrangement not to exceed $11.5 million. CN Rail will assume responsibility for the remainder of the ten-year term.

A number of postponements to the National Transportation Agency proceedings pertaining to an application by Maritime-Ontario-Quebec Rail Inc. (M.O.Q.) were requested by the applicant. The applicant had applied for running rights and joint track usage on CN Rail lines between Detroit, MI, and Moncton, NB. The technology involves the use of truck trailers on rail lines. It is a unique concept with respect to the motive power used. In mid-year, a federal contribution of $228,000 under the Canada-Quebec Subsidiary agreement on Transportation Development was announced. The funds were granted for a field evaluation of the M.O.Q. intermodal transportation system. In December, 1991, counsel for M.O.Q. advised the Agency that an agreement had been reached with CN. Consequently, M.O.Q. filed notice to withdraw all requests submitted in respect to this application. The Agency, in turn, has advised that all proceedings are discontinued.

Railway Traffic Liability Regulations were published by the National Transportation Agency in Part II of the August 14, 1991, issue of the Canada Gazette. The regulations, which became effective on that date, apply in the absence of an Agency order or written agreement between the carriers and shippers or shippers' representatives. Railway liability and terms and conditions of carriage were previously established by the Canadian Transport Commission General Order T-5. Due to the fact that the National Transportation Act, 1987, does not give the Agency authority to prescribe terms and conditions for the carriage of traffic, the regulations are intended only to clarify and reinstate the liability provisions of the General Order T-5. The most significant effect of these regulations will be a return to the industry's accepted standard of carrier liability, unless otherwise agreed by the parties involved.

The National Transportation Agency granted the application of the Shipping Federation of Canada (SFC) to rescind Order No. R-30750, applicable to impex container traffic effective in January, 1992. The Railway Traffic Liability Regulations (discussed above) will apply on this traffic. In the absence of an agreement between a

shipper and a carrier limiting liability, rail carriers will be liable for the full value of the container and its contents at the place and time of shipment. The rescinded Order No. R-30750 limited railway liability for loss or damage of steamship company-owned-or-leased impex container and their contents. The order governed all federally-regulated railway companies operating in Canada and was specific to containerized goods.

## *Highway*

Work continued on upgrading the Trans Canada Highway and other arterial highways in New Brunswick, including the connecting links to the City of Saint John. About $60 million was earmarked for this work in the 1991-92 fiscal year. Construction is progressing on 12 sections of the Trans Canada and other arterial highways across the province. This work is being completed in the absence of major federal participation. Projects completed include an 18 kilometre segment of route 11 between Nash Creek and Charlo; a 20 kilometre bypass at Bathurst (Route 11); a final segment of Wheeler Boulevard (a Moncton access road); and, the upgrading of Route 110 through Centreville to the U.S. border.

The fixed link to Prince Edward Island moved a step closer to reality when it was announced that all three proposals which had been submitted had passed the environmental assessment stage. The next stage of the process involves the preparation and submission of pricing proposals by the bidders. For the project to proceed, such proposals will have to fall within the guidelines for pricing set down by the federal government that the annual subsidy paid to the successful bidder will not exceed the amount paid out by Ottawa for the Marine Atlantic ferry service (see page 42 for more detailed information).

In Prince Edward Island, construction of the 10-kilometre Charlottetown Perimeter Highway is progressing. The rehabilitation of a two-kilometre section of the Trans-Canada Highway near Charlottetown was completed.

A major priority for the Nova Scotia provincial government is the twinning of the Trans Canada from Amherst to North Sydney. Work continued in 1991, with 7-kilometre stretch near Amherst now open for traffic. As well, a 2.2-kilometre section of twinned Trans Canada Highway was opened at New Glasgow.

Two other significant projects involved the continued construction of a bridge across the Barra Strait in Cape Breton and a new directional interchange in Dartmouth to replace the MicMac Rotary.

In an effort to stimulate tourist and commercial traffic to Cape Breton, the Canso Causeway tolls were eliminated in December, 1991. This change represents a significant saving to frequent users of the causeway.

The Newfoundland and federal governments signed an agreement in June that will provide $235 million in federal funding to upgrade Newfoundland's regional road system. This funding is part of the $800.6 million transportation agreement signed in 1988 leading to the closure of the Newfoundland Railway. A proposed economic evaluation of the Trans Labrador Highway by the federal Department of Transport was announced in June, 1991. The economic impacts for consideration include those on mining and forest products. Projects now underway in Newfoundland are the upgrading of the Trans Canada Highway over an 8 to 10-year period to a four-lane divided highway in the vicinity of St. John's (involving approximately 45 kilometres) and Corner Brook (involving approximately 61 kilometres).

In response to the problems experienced by the trucking industry, a series of measures were announced late in 1991 by the federal Ministers of Finance and Transport. The measures involve both taxation refinements and a temporary fuel tax rebate program that will provide cash-flow benefits in exchange for reduced loss carry forwards for income tax purposes.

Legislative changes took place in the Atlantic Provinces and Ontario which affected Atlantic Provinces shippers. A new Motor Carrier Act was proclaimed in Newfoundland to implement the reverse onus provisions of the Motor Vehicle Transport Act for intra-provincial motor carrier operating licenses. Ontario introduced a two-year moratorium on issuing new intra-provincial motor carrier operating licenses.

The three Maritime provincial Premiers have agreed to complete the deregulation of the trucking industry in the region by January 1, 1993. Over the next year, the Maritime Provinces will be working toward further regulatory changes to remove market entry regulations on intra-provincial trucking; set uniform standards for safety inspections; establish uniform weight limits based on common standards; adopt uniform administrative procedures for the National Safety Code; and establish a single motor carrier board for the region. Overall, the proposal calls for the replacement of the three provincial Acts dealing with the

use of the provincial highway system with uniform Acts and regulations in the three provinces.

The Province of Quebec instituted a number of regulatory changes in 1991. It is now a requirement that all carriers and owner-operators who regularly travel in or through the province carry a fuel tax registration certificate with stickers affixed to all vehicles; amendments to the Quebec motor vehicle regulations now require all commercial vehicles over 3,000 kg net weight, including trailers and semi-trailers, to have proof of a valid mechanical inspection; the Province of Quebec has increased enforcement of provisions of their commercial vehicle regulations requiring all owner operators operating in or through the province to obtain their own operating authority; and under the Province of Quebec's provincial sales tax program, all carriers and owner-operators travelling within and through the province are required to register and obtain a provincial sales tax registration number, regardless of whether they are based in Quebec or elsewhere. The Quebec Ministry of Transportation introduced a number of significant changes to its sizes and weight regulations effective October 1, 1991, in an attempt to reduce highway damage by heavy vehicles. In general these changes reduce the allowable weight limits on most vehicle configurations and discourage the use of several vehicle types.

To enforce the regulations outlined above, the Quebec government has consolidated eight jurisdictions under one monitoring body known as the Société de l'assurance automobile du Québec (SAAQ). Commercial Vehicles with a net weight of over 3,000 kg are subject to the highway monitoring program.

Several carriers ceased operations in 1991. Among these carriers were Big Wheels Transport & Leasing Limited, a Prince Edward Island based company with over 200 tractors, and Hibbs and Kaizer Transport Limited of Mount Pearl, NF, a general freight carrier with about 20 tractors.

Yellow Freight Systems of Overland Park, KS, the second largest American less-than-truckload carrier, established offices and terminals in Halifax, NS (serving Nova Scotia), and Moncton, NB (serving New Brunswick, Prince Edward Island and Newfoundland). The offices opened in early November. Yellow Freight is the first major American carrier to establish terminals in Atlantic Canada in recent years. In March, 1992, it was announced that Coles Express, a New England regional motor carrier also serving the Atlantic Provinces, will be purchased by Roadway Services. Along with its largest subsidiary, nationwide LTL carrier Roadway Express, Roadway Services owns three regional carriers, Viking Freight and two divisions of Spartan Express, and is one of the three largest U.S. general freight carriers.

## *Air*

The air transportation system in the Atlantic Provinces continued to experience changes during the past year, although fewer than the previous year.

Air Atlantic re-introduced Dash 8 service to the Magdalen Islands in 1991, linking the island with Halifax. The airline also introduced service between Wabush, Quebec City and Montreal in the latter part of 1991, however, the Labrador-Quebec City flight was suspended effective January, 1992.

Air Atlantic, which had suspended jet service from New Brunswick in late 1990, re-introduced jet service from Saint John and Fredericton to Montreal and Ottawa in mid-1991. A number of other improvements in flight frequencies and schedules were implemented by Air Atlantic during 1991.

Bradley First Air service between Goose Bay and Ottawa was terminated early in 1992. Low traffic volumes were blamed for the termination.

Air Nova added a number of additional flights to their schedule as well as introducing scheduled service to St. Leonard, NB. The flights operate non-stop to and from Montreal and operate eastbound via Bathurst and Halifax.

In early 1992, Northwest Airlink, a subsidiary of Northwest Airlines, announced plans for daily non-stop flights to Boston from Fredericton and Saint John beginning in April and Moncton beginning in May. Indirect flights from Charlottetown, PE, through Moncton have also been announced in conjunction with the Moncton service. The airline is expected to initially utilize 19-seat Fairchild Metro III propeller aircraft to serve these routes.

Air Nova did not undertake any fleet changes in 1991, however, Air Atlantic reduced their Dash 8 fleet to 11 from 12. Air Canada continued the process of replacing their Boeing 727 aircraft with Airbus A320 jets, with increased utilization of this aircraft in Atlantic Canada service. Air Schefferville sold their DHC2 aircraft, while Labrador Airways sold their B-N Islander and purchased one Shorts 330 cargo aircraft.

At the Moncton airport, the taxiway parallel to the existing runway, announced in 1990, was completed in 1991. In Saint John construction of a new $2.7 million air control tower began in 1991, with completion scheduled for 1992.

In November, 1991, Air Nova and Transport Canada officially opened a new 5,000-square foot passenger boarding lounge at the Halifax International Airport. This expansion also included the addition of roughly 400 feet of covered walkway at the terminal's north end for passenger access to the Dash 8 aircraft.

Improvements to airport terminals were also completed in Sydney, Gander and Goose Bay.

Air freight service experienced little change from the previous year. Air Canada continued to provide DC8 dedicated freighter service between Toronto, Moncton and Halifax on a 5-day per week basis and Convair 580 operations between Montreal, Moncton and St. John's on the same basis. In October, 1991, Air Canada brought on line a new computer system, "Totem", integrating cargo logistics, shipment rating, cargo revenue accounting, cargo decision support and yield management. Canadian Airlines International continued to operate two combination passenger/freighter B737's between Halifax/ St. John's/ Goose Bay/ Deer Lake/ Wabush and Toronto/Montreal.

Both connector carriers Air Nova and Air Atlantic continued to contract with their respective affiliated trunk carriers for the carriage of freight on a space/weight availability basis. Provincial Express, Labrador Airways and KLM Royal Dutch Airlines continued to provide scheduled air cargo service in the region.

*Table 4*

**ATLANTIC REGION AIRPORTS**
**TOTAL ENPLANED AND DEPLANED CARGO**
**(Tonnes)**

| | 1991* | 1990 | % Change |
|---|---|---|---|
| Charlottetown | 230 | 700 | -67.1 |
| Fredericton | 140 | 288 | -51.4 |
| Goose Bay | 2,600 | 2,609 | -0.3 |
| Halifax | 25,500 | 27,108 | -5.9 |
| Moncton | 6,300 | 5,770 | +9.2 |
| Saint John | 260 | 521 | -50.1 |
| St. John's | 4,700 | 5,177 | -9.2 |

* Estimates for 1991 based on nine months data.

Source: Transport Canada

*Table 4* shows air cargo volumes at major airports throughout the Atlantic Region. Total cargo figures are understated as some carriers (Air Atlantic, Air Nova) and courier services are not required to report cargo activity by site.

## *Marine*

Amendments to the Public Harbours Regulations and Government Wharves regulations reduced tariffs assessable at public harbours and ports. These amendments will reduce fees payable by users of public harbours and port facilities for wharfage, storage, berthage, wintering and summer lying-up. This reduction is a result of the elimination from the operations and repair budget of the Federal Sales Tax. As a result of the introduction of the Goods and Services Tax (GST), fees were lowered by approximately 1.3% effective October 1, 1991.

Continuing the trend of recent years, each of the three major national port corporations representing the Ports of Halifax, Saint John and St. John's did not increase port charges for 1992. The uncertain economic conditions facing port customers are cited as the main reason for the rates being maintained at last year's level.

The Atlantic Pilotage Authority published notice on August 3, 1991, in Part I of the Canada Gazette, of a proposed increase of 4.7% in its rates and charges for trips and movages in the compulsory pilotage waters of Atlantic Canada. For non-compulsory pilotage areas, the Authority proposed a tariff increase of 8%, with the introduction of an additional area, Belledune, NB, and the deletion of two areas, Buctouche and Shediac, NB. Notices of objection to the proposed increase were filed with the National Transportation Agency (NTA) by the Halifax-Dartmouth Port Development Commission, the Halifax Shipping Association and Puddister Trading Company Limited. The Agency has ordered the Atlantic Pilotage Authority to provide information supporting the application for increased rates and charges. No decision had been made by the NTA concerning this matter at the conclusion of the year under review.

An amendment made to the Atlantic Pilotage Tariff Regulations on November 19, 1991, covering Newfoundland and Labrador Non-Compulsory Areas was approved by Order-in-Council P.C. 1992-65 on November 19, 1991. The amendment increased the charges for the services of a pilot through the non-compulsory pilotage waters of Newfoundland and Labrador by 8%.

This past year brought major additions to and changes in international shipping services involving Atlantic Canada Ports which are summarized below:

- *On January 1, 1992, Wilhelmsen Lines of Norway, the world's largest operator of roll-on/roll-off (ro/ro) vessels, began a new bi-weekly trans-Atlantic service between Europe, the Port of Halifax and the U.S. east coast.*
- *Nippon Yusen Kaisha (NYK) and Neptune Orient Lines (NOL) began calling at the Halterm Terminal in late 1991. The Port of Halifax is one of four North American ports on NOL's new Asia-East Coast Express service between eastern North America and southeast Asia.*
- *ABC Containerline, serving the Port of Halifax, expanded their Mediterranean service in December, 1991 to include the Ports of Mersin, Istanbul and Izmir, Turkey. Service is provided to these ports via transshipment at the Port of Haifa, Israel.*
- *Zim Israel Navigation Company introduced a new service to Vera Cruz, Mexico. This new service is provided via a feeder service from Kingston, Jamaica. Zim offers the service from Halifax to Kingston every eight or nine days, with transhipment out of Kingston every 14 days.*
- *Pace and Columbus Lines ceased their services to the Port of Halifax in September. Rationalization in routing schedules resulted in all freight destined for Halifax to be routed over the Port of Philadelphia, PA, with connections to eastern and central Canada via the Canadian Pacific/Delaware & Hudson intermodal link. Columbus Line and Pace offered joint line service from Halifax to Australia and New Zealand.*
- *Orient Overseas Container Line (OOCL) ended its weekly Far East-East Coast service, and ceased calling at the Port of Halifax and other Atlantic seaboard ports at the end of December, 1991. Canadian customers of OOCL are now served through the Port of Vancouver. There was no provision made for service to Atlantic Canada.*
- *U.M. Shipping Inc.'s container shuttle service between Halifax and Boston ceased operations due to low volumes. Many of the shipping lines have switched to trucking services to deliver inbound containers from Halifax to Boston.*
- *Kawasaki Kisen Kaisha (K-Line), which represented 10% of the Halterm container terminal's business, suspended its all-water container service to the east coast of North America as of the end of 1991. K-Line indicated that east coast customers will be served through west coast ports and its rail double-stack network in North America.*
- *A consortium of Italia Lines, Evergreen International and Compagnie General Maritime (CGM), which provided Halifax's Cerescorp container terminal with 25% of its container traffic, ceased calling at Halifax in December, 1991, and began serving its customers in central Canada through the Port of New York.*
- *Hapag Lloyd and Atlantic Container Lines (ACL), two of the port's biggest customers, began moving over half of their cargo, or roughly 50,000 twenty-foot equivalent units (TEU) per year, over the Port of Montreal. The change results from an agreement between the two lines and the St. Lawrence Coordinated Service of Canada Maritime and OOCL lines, which, according to industry officials, offered Hapag-Lloyd and ACL service to Montreal at a very low price per container.*
- *Kent Line Limited expanded its Puerto Rican shipping service effective October 21, 1991. Kent Line has been operating a twice monthly direct service from Saint John to San Juan, Puerto Rico and Rio Haina, Dominican Republic. The service has been expanded to include Port of Spain, Trinidad; Kingston, Jamaica; and Port-au-Prince, Haiti. Kent Lines added another vessel, which increases sailings from the Port of Saint John from every 15 days to every 10 days. Breakbulk and containers, both dry and refrigerated, are offered to Puerto Rico and Jamaica, with dry container service only to the other islands.*
- *Kent Line has also increased its Saint John to Europe service from two ships to four, increasing sailing frequencies from once a month to once every 10 days.*
- *Empresa Lineas Maritimas Argentina stopped calling at the Port of Saint John in October, 1991. This line offered semi-monthly sailings to South America.*
- *Grancolumbiana ceased service to Saint John in October, 1991. This line offered fortnightly sailings to South America.*
- *Torm Lines ceased calling at Saint John in November, 1991. This line offered monthly sailings to Africa.*

➢ *D.B. Turkish Lines stopped calling at Saint John in late September, 1991. This line offered sailings every five weeks to Turkey.*

A number of enhancements to Atlantic port facilities were implemented in the last year. At the Port of Halifax, a comprehensive electronic data interchange (EDI) program was put in place in October. The system replaces paper documentation with a computer-to-computer exchange of cargo and business information. Halterm invested $1.5 million in a warehouse assembly depot for Maritime forest products. The facility encompasses two buildings covering 5,119 square meters.

A new 100,000 square foot forest products shed was completed at the Port of Saint John in February, 1992. In November, the Port of St. John's, NF, placed two new mobile harbour cranes into service at a cost of $10 million.

The ability of the Port of Halifax to compete for shipping services received special attention with the appointment of a Task Force to examine the future of the port. This development is outlined more fully on page 34.

A statistical summary of traffic handled at Port Canada ports in the region is provided in *Table 5*. After five years of record tonnages through the Port of Halifax, the port experienced a sharp drop of 14% in traffic in 1991 as compared with 1990, with container traffic shrinking by over 21%. Competition from Canadian and American east coast ports, a rationalization of service by international container lines and an economic slow down were contributing factors in the decline in container traffic at the port in 1991. Statistics for the Port of Saint John indicate a 14% increase in total volumes. Bulk petroleum products increased almost 20% in 1991 as compared to 1990, while most other categories reported lower tonnage figures in 1991. Container volumes continued to decline, with a drop of over 6%. The Port St. John's recorded an overall decrease of 9%, with container traffic down by 16%.

*Table 5*

**WATER CARGO TONNAGE LOADED OR UNLOADED AT PORTS CANADA PORTS**
**(In Metric Tonnes)**

| Calendar Year | Saint John | Halifax | St. John's | Belledune | Total |
|---|---|---|---|---|---|
| | | **ALL CARGO** | | | |
| 1991 | 17,094,221 | 14,892,266 | 947,115 | 330,753 | 33,264,355 |
| 1990 | 14,989,628 | 17,286,821 | 1,045,248 | 316,085 | 33,637,782 |
| Variance | 2,104,593 | -2,394,555 | -98,133 | 14,668 | -373,427 |
| % Change | 14.04% | -13.85% | -9.39% | 4.64% | -1.11% |
| | | **GENERAL OTHER CARGO*** | | | |
| 1991 | 864,474 | 479,661 | 155,951 | — | 1,550,086 |
| 1990 | 944,271 | 550,267 | 169,383 | — | 1,663,921 |
| Variance | -79,797 | -70,606 | -13,432 | — | -163,835 |
| % Change | -8.45% | -12.83% | -7.93% | — | -9.85% |
| | | **CONTAINER CARGO** | | | |
| 1991 | 109,855 | 3,065,765 | 338,138 | — | 3,513,758 |
| 1990 | 117,717 | 3,909,129 | 402,529 | — | 4,429,375 |
| Variance | -7,862 | -843,364 | -64,391 | — | 915,617 |
| % Change | -6.68% | -21.57% | -16.00% | — | -20.67% |

* Excludes bulk cargo

Source: Canada Ports Corporation

## *Ferries*

*Table 6* illustrates ferry operating statistics for the major ferry operations in Atlantic Canada. Automobile and passenger traffic declined on most ferry services in 1991, the exceptions being the North Sydney-Port aux Basques service which showed small increases in passenger, auto and truck/tractor trailer traffic and the North Sydney-Argentia service which reflected an increase in commercial vehicle traffic.

In December, 1991, Marine Atlantic announced a rate increase effective January 1, 1992, intended to provide an overall revenue yield of 6%. The rates were restructured resulting in decreases of as much as 22% and increases of more than 40%. The announcement was met with serious concerns by the Atlantic Provinces Trucking Association (APTA). In representations to the federal Minister of Transport and the four Atlantic Premiers, the APTA noted the collapse of the Newfoundland fishing industry creating backhaul volume problems; the ferry rates to Prince Edward Island had already been increased by approximately 20% over the two previous years; and that the rate increases on the Saint John to Digby service had reduced commercial traffic on the route by approximately 25%, and further increase would only divert more traffic away from that service.

*Table 6*

**FERRY OPERATING STATISTICS FOR ATLANTIC CANADA**

| Service | Year | Passengers | | Automobiles & Pick-Up Trucks | | Trucks & Tractor Trailers | |
|---|---|---|---|---|---|---|---|
| **MARINE ATLANTIC SERVICE** | | | | | | | |
| Cape Tormentine - Borden | 1991 | 1,742,563 | -2.7% | 622,564 | -2.3% | 149,099 | -6.8% |
| | 1990 | 1,791,286 | | 637,510 | | 160,002 | |
| North Sydney - Port aux Basques | 1991 | 363,672 | 0.4% | 104,176 | 2.0% | 58,160 | 4.0% |
| | 1990 | 362,350 | | 102,087 | | 55,949 | |
| North Sydney - Argentia* | 1991 | 41,074 | -7.7 | 12,177 | -6.5% | 735 | 98.6% |
| | 1990 | 44,486 | | 13,023 | | 370 | |
| Yarmouth - Bar Harbour | 1991 | 101,514 | -12.5% | 27,891 | -12.5% | 3,033 | -12.8% |
| | 1990 | 116,001 | | 31,862 | | 3,479 | |
| Saint John - Digby | 1991 | 196,219 | -8.2% | 49,508 | -9.9% | 17,884 | -15.0% |
| | 1990 | 213,667 | | 54,972 | | 21,049 | |
| **NORTHUMBERLAND FERRIES LIMITED** | | | | | | | |
| Wood Island - Caribou✦ | 1991 | 526,586 | -0.5% | 175,484 | -0.6% | 21,987 | -11.8% |
| | 1990 | 529,385 | | 176,457 | | 24,934 | |
| **PRINCE OF FUNDY SERVICE** | | | | | | | |
| Yarmouth - Portland ▪ | 1991 | 162,568 | -1.5% | 28,455 | -4.4% | 992 | -12.0% |
| | 1990 | 165,085 | | 29,756 | | 1,127 | |

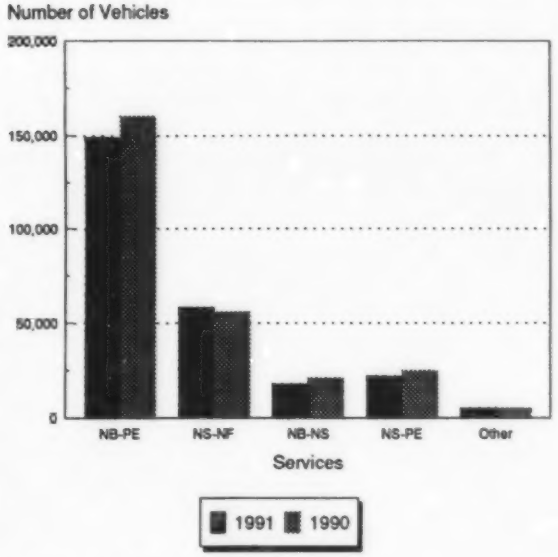
* 1991 operated June 2 to October 23
1990 operated June 15 to October 26

✦ 1991 operated April 29 to December 20
1990 operated April 27 to December 20

▪ 1991 operated May 2 to October 20
1990 operated May 3 to October 21

*Graph 2*

**COMPARISON OF TRUCK AND TRACTOR TRAILER TRAFFIC FOR ATLANTIC CANADA FERRY SERVICES**




Source: Marine Atlantic Inc.
Northumberland Ferries Limited
Prince of Fundy Cruises Limited

Despite continued planning for a fixed crossing between New Brunswick and Prince Edward Island, the federal government has been urged to approve construction of a new ice-breaking ferry for the Borden-Cape Tormentine ferry crossing by both the Prince Edward Island government and the APTA. The APTC expressed support to the federal Transport Minister regarding the need for adequate capacity to accommodate the traffic offering on the ferry crossing during the interim period leading up to the completion of the fixed crossing.

Severe ice conditions around Labrador caused delays in the seasonal start-up of Marine Atlantic's Newfoundland and Labrador coastal operations in 1991. Service to northern Labrador coastal communities did not begin until early August whereas the usual seasonal start-up is around July 1. Increased freight capacity was provided for the service by Marine Atlantic in September.

A round trip ticketing system was introduced by Marine Atlantic and Northumberland Ferries for their Prince Edward Island services. Passengers now pay for their tickets only when leaving Prince Edward Island. The system is expected to reduce operating costs for both operators.

Federal Public Works Minister Elmer MacKay announced in November, 1991, that Pictou Industries Limited shipyard will begin construction of a $42 million ferry for Northumberland Ferries Limited in early 1992. The new 225-car ferry will be large and efficient enough to replace the two oldest of the company's four ferries. The company expects to be operating the vessel by the 1993 sailing season.

Construction of a new $3.2 million Deer Island ferry began in mid-November, 1991. The ferry is funded by the New Brunswick provincial government. The contract calls for the delivery of the vessel, which will carry the equivalent of 24 mid-sized cars, by September 30, 1992.

## *General Level of Rates*

As a result of federal transportation legislation and regulatory changes implemented during 1988, monitoring and reporting freight rate increases continues to be a difficult task. A large percentage of the freight traffic moving from, to or within the Atlantic Provinces moves under confidential contracts or by carriers who keep their rates confidential. Input received from shippers and manufacturers indicates that most companies experienced rate increases of less than 5% during 1991.

Increases in freight rates published in available tariffs were generally between 4% and 6% for truck; 2.5% and 5% for rail and, while stable for most of 1991, air cargo rates were increased from 10% to 40% effective March 1, 1992. Ocean rate conferences and independent carriers published a number of general rate increases.

According to information supplied by the National Transportation Agency, there were 5,086 new confidential contracts issued by rail carriers in 1991, as compared with 3,900 in 1990. There were also 8,278 amendments to old contracts in 1991, as compared with 4,989 in 1990. Atlantic Canada's portion was 516 contracts (10.1%) and 1953 amendments (23.6%). Of the 516 contracts, 63 involved traffic within Atlantic Canada, 121 from Atlantic Canadian points to points outside the region, 75 from points in the United States to Atlantic Canada, and 257 from central and western Canada to Atlantic Canada. It should be noted that a confidential contract may cover more than one commodity and that some contracts were amended more than once during the year.

## APTC REGULATORY REFORM MONITORING

The APTC has completed its sixth and final report to the National Transportation Agency of Canada on the *Impact of Federal Transportation Legislation on the Atlantic Provinces*. This report, for the year 1991, monitors the impact on users of transportation and compares rates, service levels, availability, etc., with those in place during the base years 1986 and 1987 and the first three years of deregulation, 1988 to 1990. This information assists the Agency with its monitoring and reporting to the Minister of Transport on an annual basis.

The following highlights some key information gathered by the APTC from comprehensive questionnaires, interviews with transportation users, carriers and Chambers of Commerce/Boards of Trade.

Four years after the implementation of the *National Transportation Act, 1987* (NTA, 1987), and the *Motor Vehicle Transport Act, 1987*, shippers continue to experience stable freight rates. In some cases, shippers were able to negotiate lower rates than the previous year. Most shippers are enjoying a high level of service from their carriers which are able to provide services customized to each shipper's needs. Shippers utilizing the truck mode found increasing numbers of carriers available to fulfil their shipping requirements. The tool used to the shippers' greatest benefit is the confidential contract provision of the NTA, 1987. Shippers view the confidentiality and the ability to negotiate on a one-on-one basis with the carrier as a favourable asset. Other provisions of the NTA, 1987, such as interswitching and competitive line rates, were used very little in the Atlantic Region. Most users of the marine mode report that the provisions of the *Shipping Conferences Exemption Act* have had little or no impact on their companies.

The downward pressure on freight rates, which is partly due to the economic recession, has meant decreased profit margins and, in some cases, losses for carriers. In addition, operating costs have continued to rise due to inflation and more rigid safety compliance requirements. Many carriers have been operating with the same revenue levels for several years.

While the NTA, 1987, and associated acts have provided for increased competition, mainly through the relaxed economic entry restrictions, a number of competitive factors have occurred over the last few years which are beyond the scope of the legislation:

- *The economy, both domestically and globally, has impacted Atlantic Provinces carriers by increasing competition through reduced traffic volumes available to them. In the Atlantic Provinces, reduced traffic volumes in important commodities such as fish, lumber and pulp and paper have dramatically impacted the motor carrier industry. Global recessionary trends have resulted in shipping lines rationalizing services and equipment to reduce the excess capacity which has resulted in a reduced number of container lines calling at Atlantic Canada's ports. Airlines have adjusted flight frequencies and are experiencing financial difficulties because of reduced traffic volumes. Rail carriers, as well, have faced declining profit levels due to reduced traffic volumes.*

- *Both rail and motor carriers perceive an uneven playing field in their efforts to compete for freight traffic. Again, the factors which carriers identify as being responsible for this lie outside the realm of the federal transportation acts. Taxation issues are in the forefront. The rail carriers feel that the motor carriers are unfairly subsidized through provincial and federal road construction. Canadian rail and motor carriers perceive tax and cost advantages are causing American carriers to have an unfair competitive advantage in the North American market. Geography and demographics also play a role in that American carriers have larger markets and shorter distances between markets than their Canadian counterparts.*

Problems identified above (economic down turn, taxation and uneven playing field) are issues outside the realm of the NTA, 1987. Given that the Free Trade Agreement is expected to increase the north/south flow of trade, it becomes much more critical for these problems to be resolved for Canadian carriers to compete.

With the above factors isolated from the NTA, 1987, it is important to note that the Act has been successful in assisting carriers to reduce their costs in a transportation environment which is focused on market competition. Rail carriers, while not completely satisfied with the abandonment process, have been able to shed unneeded rail lines at a faster rate than before regulatory

reform (it is important to note that many of the complaints from the railways regarding the abandonment process stem not from the National Transportation Agency abandonment decisions but rather from the federal court proceedings which often follow the Agency's decision).

Motor carriers have experienced reduced economic regulatory costs in the application for operating licences. Most carriers have found in the last two to three years that the process has become quick, inexpensive and generally efficient. Exceptions remain in some provinces, however.

While Atlantic Provinces shippers are generally very satisfied with the transportation services available, carriers are facing a number of problems. These problems, for the most part, lie beyond the scope of the *National Transportation Act, 1987*.

## ATLANTIC REGION FREIGHT TRANSPORTATION ISSUES

In January, 1992, the APTC released a discussion paper on *Atlantic Region Freight Transportation Issues*. This paper was prepared under the guidance of the APTC Board of Directors and is intended to provide a framework for the discussion of a number of issues relating to freight transportation in the Atlantic Provinces. The paper urges the establishment by the provincial governments of a cooperative regional freight transportation policy for the Atlantic Provinces.

Manufacturers and producers in the Atlantic Region are generally more sensitive to transportation service levels and costs because they are located far from their major markets. Recent changes in the transportation industry, both technological and regulatory, have occurred at a time when major shifts were taking place in the modal choices shippers were making. Shippers in the Atlantic Region have become largely dependent on trucking to supply the majority of their transportation requirements.

The increased demand for trucking service, combined with rail abandonments and economic deregulation of the transportation industry, has resulted in a growing number of trucks on the region's highways which, at the same time, are experiencing increased demand from local service, automobile and tourist traffic. These concurrent increases in demand have resulted in congestion. The high number of large trucks on Atlantic Canadian highways is clearly inappropriate for the predominantly two-lane highway network. This has occurred at a time when the railways have excess capacity and are planning further abandonment of branch line networks within the region.

The rail system in eastern Canada, and particularly in the Maritimes, is operating at levels far below the capacity of the infrastructure. The majority of shippers in the Atlantic Provinces have made the decision to utilize the truck mode. The railways, in order to satisfy their customers' requirements, must offer an intermodal service to compete. The railways' future in the Maritimes will be determined by their ability to compete in terms of price and service utilizing their intermodal systems.

When considering marine transportation issues from the perspective of Atlantic Region manufacturers and producers, it is important to understand that their primary concern is the availability of cost competitive ocean shipping services to enable the marketing of Atlantic Provinces goods on a worldwide basis. Atlantic Region shippers currently enjoy the advantage of more comprehensive and frequent shipping services than their traffic would otherwise warrant due to the ability of Atlantic Region ports to attract cargo for the entire eastern Canadian and mid-continental markets.

The ability of Atlantic Region ports to attract and hold shipping services is dependent upon a number of complex factors. Global liner service patterns, world trade conditions, competition from eastern and western United States ports and from other Canadian ports, inland transportation service and cost, and government policy, including taxation, are some of the factors which influence the availability of ocean shipping services at Atlantic Provinces ports.

Most air freight service in the Atlantic Region is provided as an ancillary service to air passenger service, although direct air freighter service is available to several major airports. Shippers' concerns in regard to air freight service relate mainly to the provision of adequate capacity and scheduling. There are a number of current policy issues surrounding air passenger service which will impact on the provision of air freight

service within the Atlantic Region. Air freight service is a vital component of the freight services required by shippers in the Atlantic Region. Consideration of this impact on air freight services must be included in the resolution of air passenger issues.

The paper attempts to provide a framework for discussion of a number of issues relating to freight transportation in the Atlantic Provinces, including:

- *the upgrading of the arterial highway network in the Atlantic Provinces;*
- *an essential rail network;*
- *the role of federal and provincial governments;*
- *taxation of transportation and transportation inputs;*
- *removal of economic regulatory controls on transportation; and,*
- *uniformity of safety and technical regulation and enforcement.*

The transportation network in the region must no longer be considered as a composite of unrelated parts. The inter-relationship and interaction between modes and between provinces must be taken into consideration. Cooperation and integration between modes may be necessary to provide the services required by Atlantic Region shippers.

There are a number of policy options which must be considered. The objective of these policies would be the establishment of an environment which fosters the development of the necessary infrastructure and encourages intermodal cooperation while, at the same time, maintains the competitive climate necessary to ensure Atlantic Provinces shippers have access to a safe, adequate and efficient network of transportation services.

The governments of the Atlantic provinces are urged to undertake the development and implementation of an Atlantic Region freight transportation policy. The development of a long term, integrated, multi-modal transportation policy with regional objectives and a focus on sustainable economic development, with due regard for safety and environmental protection, is required to ensure that a viable and efficient transportation system is available in the Atlantic Provinces.

## *ROYAL COMMISSION ON NATIONAL PASSENGER TRANSPORTATION*

The Royal Commission on National Passenger Transportation in Canada was established in the fall of 1989 (see APTC *1990-91 Transportation Review and Annual Report*, page 25). The Royal Commission released an interim report in April, 1991, containing a profile of Canada's current passenger transportation system, an outline of the major issues, a synopsis of the input received at public hearings conducted during 1990, and the Royal Commission's comments on the submissions.

While the report dealt mainly with passenger transportation issues, which are outside the mandate of the APTC, there were several matters which, because of the inter-relationships between freight and passenger traffic, were of interest. The report acknowledged the potential impact which reduced rail passenger service may have on the viability of rail freight services or on the rail lines themselves.

Other issues related to freight transportation included the provision of infrastructure and the division of financial responsibility for the cost of providing and maintaining the necessary infrastructure between the various users and levels of government. The report also acknowledged that the implications on freight transportation must be taken into account when decisions on passenger transportation are made. The report solicits further input and indicates the following broad issues will be considered in preparing a final report:

- *the appropriate division of responsibility between levels of government;*
- *the accommodation of both national standards and local concerns in decision making;*
- *private versus public sector investment in services and infrastructure; and,*
- *the basis for public sector investment decisions.*

Consideration will be given to the roles of the private and public sectors in the future transportation system, jurisdiction between levels

of government, user charges and taxes, and public accountability of decision makers. The Royal Commission will examine existing laws, regulations and institutions to ascertain whether the policies and principles which guide decision making are appropriate for the passenger transportation system of the 21st century. It will recommend changes and outline proposals for the future passenger transportation system in Canada.

In responding to the interim report of the Royal Commission, the APTC emphasized the need for an essential rail network, the need to identify appropriate shares of infrastructure utilization, the complexities of determining causes of modal shift for freight traffic and the burden experienced by provincial governments as a result of the reduction in federal participation in the overall transportation infrastructure in the Atlantic Provinces.

The Royal Commission on National Passenger Transportation is expected to complete its mandate and issue a final report by the end of 1992.

## *MOTOR CARRIER LICENSING DEVELOPMENTS*

Since the implementation of the *Motor Vehicle Transport Act, 1987*, the granting of extra-provincial licenses has largely been in accordance with the intended ease of entry provision of the Act. For the most part, carriers continue to experience little in the way of delays or excessive costs in the application process.

On April 1, 1991, new regulations came into effect under the Newfoundland Motor Carrier Act. These regulations apply to intra-provincial motor carrier licensing applications and mirror the reverse onus provisions of the *Motor Vehicle Transport Act, 1987* (MVTA). The new regulations reflect the guidelines recommended by the Canadian Council of Motor Transport Administrators (CCMTA) and are intended to increase intra-provincial motor carrier competition through relaxed market entry restrictions. Other changes in the new regulations will reduce the paperwork burden on carriers and eliminate motor carrier fees. Adjustments were made in vehicle registration fees to provide compensatory revenue to the province, but under the changes, private carriers and carriers of exempt commodities will bear a greater burden, while for-hire carriers will pay less.

The adoption of the reverse onus process in Newfoundland brings that jurisdiction in line with nearly all of the other provinces in Canada. In the Atlantic Region, Nova Scotia is the only province to retain the traditional "public convenience and necessity" test as part of its Motor Carrier Act. However, the Council of Maritime Premiers' discussion paper, *Challenge and Opportunity*, proposed that provincial legislation deregulate intra-provincial trucking in the Maritimes by January 1, 1993.

Carriers wishing to obtain LTL general operating authority in New Brunswick continue to experience difficulty. To a large extent, general freight licenses in New Brunswick are being restricted to the movement of one consignee's goods at a time per vehicle, thereby precluding new carriers from providing an LTL service. Because of opposition from established carriers, new applicants are being discouraged from seeking LTL operating authorities in New Brunswick.

In late April, 1991, the Ontario provincial government announced that, through an amendment to its Truck Transportation Act, it would impose a two-year moratorium on issuing new truck intra-provincial operating licenses. The amendment, known as Bill 129, was passed and proclaimed in 1991. While the moratorium will only affect the estimated $3.5 billion Ontario intra-provincial market, it is expected to have implications outside its borders as well. Carriers in the Atlantic Provinces will have a more restricted access to the Ontario marketplace for the movement of goods intra-provincially between points in the province. The moratorium contradicts the intent of the market entry provisions of the MVTA, 1987. It also contradicts the National Transportation Act's stated policy that market forces and competition should determine the level of service.

The Province of Quebec has increased enforcement of provisions of their commercial vehicle regulations requiring all owner operators operating within or through the province to obtain their own operating authority. While this requirement has been in effect since 1982, it has not, until recently, been rigidly enforced. This requirement has unduly placed increased administrative burdens upon owner-operators, increasing operating expenses which may in turn be reflected in the rates charged to shippers.

## FEDERAL TASK FORCE ON THE TRUCKING INDUSTRY

The federal Transport Minister's Task Force on the Trucking Industry was created to address the problems being experienced in the Canadian trucking industry (see *1990-91 Transportation Review and Annual Report*, page 27). The work of the Task Force continued throughout 1991 and in July the results of nine studies on transborder trucking competitiveness, which had been commissioned by the Task Force, were released. The studies concluded that:

- *Canadian domiciled carriers handled 59% of transborder trucking in 1990 but their share of the business was slowly declining.*
- *Financial returns for carriers were low in 1988 and 1989 and a further decline was expected for 1990 and 1991 financial results.*
- *U.S. carriers have a 6% competitive advantage over Canadian carriers because of lower input costs.*
- *High interest rates have a direct impact on the competitiveness of the Canadian trucking industry.*
- *There is no evidence of widespread violations of Canadian cabotage laws.*
- *Canadian owner-operator costs are 7% higher on average than U.S. owner-operator costs. Tires and repair expenses contribute substantially to this imbalance.*

Following the release of these studies, the federal Ministers of Finance and Transport agreed to examine depreciation schedules for trucking equipment and the possibility of accelerating tariff reductions on tractors and trailers under the Free Trade Agreement. Further meetings of the Task Force resulted in several proposals for resolving some of the problems in the trucking industry being forwarded to the Minister.

In December, the federal Ministers of Finance and Transport jointly announced several measures to assist the transportation sector in general. These included an adjustment in Capital Cost Allowance (CCA) rates to better reflect actual operating experience. The CCA rates increased from 30% to 40% for trucks and tractors; from 7% to 10% for railway cars and from 4% to 10% for other specified railway assets. A Loss Offset Program was introduced, which will provide some immediate cash flow benefits to carriers, by allowing them to receive a rebate of the federal excise tax on fuel in exchange for reduced loss carry forwards for income tax purposes. This is a temporary program applicable to fuel purchases during 1991 and 1992. Additionally, the federal government agreed to provide up to $2.7 million towards the formation of an owner-operator cooperative which would utilize bulk purchasing to reduce owner-operator costs, as well as $3 million to fund a trucking research institute.

These programs were being implemented early in 1992 and the Federal Task Force on Trucking Issues had completed its mandate. The APTC participated as a member of the Task Force.

## CCMTA OWNER-OPERATOR TASK FORCE

In 1990, the Canadian Council of Motor Transport Administrators established a task force to examine issues relating to load brokers, owner-operator licensing and contractual standards for owner-operator carrier contracts (see *1990-91 Transportation Review and Annual Report*, see page 27). In June of 1991, the task force issued a report which was intended to stimulate discussion and generate further comment on the issues. The report concluded that:

- *a system of load broker licensing, regulation and bonding is warranted;*
- *further study is required to develop license terms and a licensing process for owner-operators which would readily permit their movement from one carrier to another; and,*
- *proposals for minimum rate regulation and a standard owner-operator contract were rejected; however, guidelines for minimum contractual standards should be developed.*

In responding to the report, the APTC commented that the proposals for the establishment of regulatory controls on the load broker industry were contrary to the existing

deregulatory climate, of questionable effectiveness in dealing with the perceived problems and would add unnecessary administrative costs and burdens to the industry. In regard to the proposals for owner-operator licensing, the APTC is opposed to any regulatory control of market entry and fears that the proposal would create an additional administrative burden for which owner-operators would receive little benefit in return. Concerning standards for owner-operator carrier contracts, the APTC is opposed to the proposal that a government agency be provided in all jurisdictions to enforce such standards, as this would result in additional compliance costs and achieving uniform enforcement across the various jurisdictions would be impossible.

In summary, while recognizing the difficulties facing the trucking industry in Canada, the APTC does not feel that the regulatory solutions proposed by the task force would resolve the problems. At a time when the Canadian trucking industry is having difficulty competing, the imposition of another layer of regulatory controls will not provide any benefit to the industry or its customers.

At the annual meeting of the Council of Ministers Responsible for Transportation and Highway Safety in September, 1991, the Ministers directed the CCMTA to develop model contractual standards setting out the respective rights and obligations of owner-operators and carriers. The Minister also agreed in principle to seek registration and licensing of load brokers and owner-operators in those jurisdictions where problems exist. At year end, the CCMTA was in the process of developing model regulations and contractual standards to achieve these goals.

## *VEHICLE WEIGHTS AND DIMENSIONS*

The Quebec Ministry of Transportation introduced a number of significant changes to its weights and dimensions regulations effective in October, 1991, in an attempt to reduce highway damage by heavy vehicles. In general, these changes reduce the allowable weight limits for most configurations and discourage the use of many auxiliary axles and "A-trains" by severely reducing the weight limits on these vehicles. These changes also bring the Quebec regulations in line with the Transportation Association of Canada's (TAC) recommendations. Semi-trailer models prior to 1992 which do not meet the new requirements will be permitted to remain in service until December 31, 1999, although in certain cases the gross vehicle weight may be reduced. Unlike previous regulations, the vehicles will be allowed to use the entire road network instead of being limited to designated highways (subject to certain exceptions during the spring thaw period). There is little effect on motor carriers in the Atlantic Provinces, however, as most of Quebec's weight and dimension limits were higher than those permitted on the highways in Atlantic Canada.

Quebec's spring weight restrictions (reported in the 1990-91 annual report) continue to be a source of problems for some Atlantic Canada shippers and manufacturers. The maximum payload during the spring thaw period in Quebec is estimated to be from 15% to 25% lower than on the TCH in New Brunswick which results in increased costs to companies shipping their products through Quebec to Ontario and western provinces destinations.

In December, 1991, the Government of Nova Scotia revised its regulations dealing with permits for overweight and overdimensional vehicles. The regulations, set up to discourage overweight vehicles, reflect increased fees for overweight and oversize vehicles on either a single trip or an annual basis.

The Ministers Responsible for Transportation and Public Safety in Canada agreed to a Memorandum of Understanding on Vehicle Weights and Dimensions which extends a 1988 agreement to include four additional categories of vehicles. The new categories are straight truck, truck with full trailer, truck with pony trailer and intercity bus. The new national standards incorporate the findings of stability and control research and will result in improvements in the design and safe operation of vehicles.

## *RAIL ABANDONMENTS*

No new applications for abandonment in the Atlantic Provinces were filed with the National Transportation Agency (the Agency) during the year under review. In response to earlier applications, 123.1 miles of rail lines in the Maritimes were ordered abandoned during 1991 by the Agency.

The Chester Subdivision, comprising 66.8 miles in Nova Scotia, had been ordered abandoned by the Agency in March of 1991. A Federal Court order set aside the decision and remitted the matter to the Agency for reconsideration. In May of 1991, after re-examining the evidence, the Agency issued a second decision which ordered abandonment of the line effective June 15, 1991.

In New Brunswick, the Agency ordered the abandonment of portions of CP Rail's Gibson and Shogomoc Subdivisions totalling 43.8 miles effective December 31, 1991. Leave to appeal this order before the Federal Court of Appeal was sought by McCain Foods Ltd. and was granted on February 5, 1992. Notice of appeal was given on February 13, 1992, with no date set for the appeal.

*Table 7* shows rail lines abandoned, as well as, abandonments pending leave to appeal or appeal to the Federal Court.

*Table 7*

| Railway/Subdivision | Located Between | Total Miles | Status |
|---|---|---|---|
| | **NEW BRUNSWICK** | | |
| **Abandonments** | | | |
| CP/Shogomoc | Mileage 75.96 - Mileage 88.5 | 12.5 | Abandoned July 2/91 |
| **Subtotal** | | 12.5 | |
| **Abandonments Pending Leave to Appeal or Appeal to the Federal Court** | | | |
| CP/Gibson | Mileage 0.0 - Mileage 22.0 | 22.0 | Abandonment Stayed● |
| CP/Shogomoc | Woodstock - Newburg | 2.7 | Abandonment Stayed♦ |
| CP/Shogomoc | Point North of Upper Kent - Point South of Aroostook | 16.1 | Abandonment Stayed♦ |
| CP/Shogomoc | Mileage 0.0 - Mileage 51.5 | 51.5 | Abandonment Stayed♦ |
| CP/Shogomoc | Mileage 54.2 - Mileage 75.96 | 21.8 | Abandonment Stayed● |
| CP/Tobique | Perth Junction - Plaster Rock | 27.5 | Abandonment Stayed♦ |
| **Subtotal** | | 141.6 | |
| | **NOVA SCOTIA** | | |
| **Abandonments** | | | |
| CN/Chester | Barry's Stillwater Marsh - Liverpool | 66.8 | Abandoned June 15/91 |
| **Subtotal** | | 66.8 | |

♦ Ordered abandoned by the NTA on July 11, 1989. April 3, 1992, has been set aside by the Federal Court to hear McCain's motion to consolidate this outstanding leave to appeal with the appeal granted under designation ●.

● Ordered abandoned by the NTA on December 31, 1991. Leave to appeal to the Federal Court was granted on February 5, 1992. Notice of appeal was given by McCain's on February 13, 1992.

♦ Ordered abandoned by the NTA on February 8, 1991. April 3, 1992, has been set aside by the Federal Court to hear McCain's motion to consolidate this outstanding leave to appeal with the appeal granted under designation ●.

## *Essential Rail Network*

During the annual meeting of the Council of Ministers Responsible for Transportation and Highway Safety in September, the Ministers discussed the important role of rail infrastructure in meeting the nation's freight transportation needs and in assisting Canada's competitive position in the world economy.

The Ministers reaffirmed the need to ensure there is an efficient rail choice in Canada's future and agreed to work together to examine the long-term need for rail infrastructure within the transportation system. A Council of Deputy Ministers was directed to work with the freight and passenger rail companies to assess the needs of shippers, rail user groups, labour and communities in developing recommendations on a national rail network. The National Rail Network Study Committee was formed and requested comments from interested parties.

This is an important first step in response to the efforts of the APTC to promote a policy which will ensure that an essential rail line network is protected, thereby ensuring an effective rail system remains in the region.

In a submission to the Committee, in support of the need for the development of an essential rail network, the APTC noted that:

- *The Atlantic Provinces have seen the loss of approximately 38% of rail trackage in the past five years and are threatened with the loss of even more trackage;*
- *It is important to recognize the critical importance of an ongoing need for a balanced and competitive transportation system offering all modes, including rail; and,*
- *Current abandonment procedures under the NTA, 1987, are not sufficient to ensure retention of rail lines that are part of the essential rail network therefore, the abandonment provisions in the NTA, 1987, will have to be amended.*

The APTC feels that the following criteria should be used in identifying rail lines which would form an essential national rail network:

- *serving shippers whose needs cannot be practically or economically met by alternative carriers or forms of transportation;*
- *serving areas with forest resources or mineral deposits with clearly identified development potential dependant solely on available rail transportation;*
- *serving national ports;*
- *serving clearly identified industrial development needs;*
- *required to provide effective competition in transport;*
- *required to provide an economic means of transporting intermodal equipment as an alternative to the use of public highways; and,*
- *required in the Maritimes to provide a basis for Newfoundland rates*

In addition to these basic criteria, rail lines included in a national rail network should also include those lines:

- *which provide for interprovincial and international trade by connecting as directly as possible, major cities; commercial centres; or intermodal terminals; and,*
- *which provide major connections to the United States rail network*

Consideration of lines for inclusion in a national rail network should also be viewed in relation to the National Highway System, as established by the National Highway Policy Study, so that no region of the country is without service provided by either a national rail network or a national highway system.

Examples of rail lines in the Atlantic Provinces which fall under the above criteria include:

| | | |
|---|---|---|
| CN Rail | - | Halifax - Montreal<br>Moncton - Saint John<br>Moncton - Campbellton<br>Truro - Sydney |
| CP Rail | - | Saint John - Montreal |

The APTC feels that any railway company that operates rail lines which incur an operating loss and are included in an essential rail network should be compensated for the actual loss attributed to those lines by the Government of Canada.

The submission also noted that a planned periodic review of any criteria established to define an essential national rail network, and the lines included in such a network, should be mandatory.

At year end, the Committee was still at the stage of reviewing comments from interested parties.

# TRURO-SYDNEY RAIL LINE

In September, 1991, Canadian National Railways invited proposals for the purchase of its railway line and certain related assets between Truro and Sydney, NS. The sale of this line is part of CN's strategy to develop a compact, high-density main line system, supported by a number of very active feeder lines. CN believes the line has potential which can best be developed through a short line operation.

The line offered for sale includes approximately 248 miles of track, including spurs, which handled around 23,000 carloads of freight in 1990. This line is to be sold as a going concern and CN expects the new operator to provide ongoing, efficient service to users of rail transportation in the three major industrial areas served by the line - Stellarton/New Glasgow, Port Hawkesbury/Strait of Canso and Sydney.

CN requested initial expressions of interest from prospective purchasers by early November, 1991, and by February, 1992, had narrowed the field of potential bidders to three American short line operators; namely, Anacostia & Pacific Company Inc., Huron Transportation Group Inc. and RailTex Services Company Inc. CN expects to reach an agreement with a short line operator by the summer of 1992, following which an application for approval of the sale will be made to the National Transportation Agency. In reaching a decision on the sale, the NTA may, at its discretion, hold public hearings and render a decision within six months from the date of the application.

As a result of a number of concerns regarding the proposed sale being raised by business, union organizations, the provincial government and communities along the line, the Senate Standing Committee on Transport and Communications held hearings into the matter during February, 1992. The Senate report is expected by June. Also, the Industrial Cape Breton Board of Trade commissioned a study to review the future operation of the line and particularly to identify safeguards to ensure the long term operation of the line.

In a submission to the Senate Committee, the APTC pointed out the importance of the rail line to the area's shippers and noted that certain shippers are dependent upon rail carload service for their transportation requirements. Identified as being particularly at risk were those firms shipping chemicals, pulp and paper products, iron and steel, coal and gypsum. The submission also described the need to view the future of the Truro-Sydney rail line in the broader context of the regional rail system and the need to establish and maintain an essential rail network.

The APTC believes that, with appropriate safeguards in place to provide shippers some assurance that an interested and qualified short line operator will continue to provide adequate service to meet their needs, the proposed sale offers the best potential for the continuance of operations on the Truro-Sydney line. A number of safeguards were suggested including:

- *CN or some other third party (federal government, provincial government) retain ownership of the road bed and land assets;*
- *the short line operator should have protection from loss of traffic due to CN intermodal marketing activities (i.e., protected marketing territory, agency marketing agreement, etc.);*
- *favourable terms must be negotiated concerning division of rates, revenue settlements, car supply, interchange, liability claims, operating agreements, etc.;*
- *The sale price and other contract terms be sufficient to discourage insincere purchasers; and,*
- *the prospective purchaser be required to provide a business plan and details of capitalization for approval by the NTA when it is considering the agreement for the conveyance of the line under Section 158(3) of the Act.*

The APTC concluded its submission by stating that the primary concern of the shippers on the line, and the APTC, is that rail service, adequate to meet shippers' needs, is maintained. It is incumbent upon the federal government to provide such adequate safeguards as may be required to assure shippers of continued rail service.

## *NEWFOUNDLAND TERMS OF UNION (ACE COMPLAINT)*

Last year's annual report (1990-91) described events and activities in response to public hearings of the National Transportation Agency (the Agency) held in Newfoundland during the summer of 1990. The purpose of the inquiry, which was part of the process in response to a complaint from Atlantic Container Express (ACE) was, according to the Agency, "... to give all interested parties an opportunity to make submissions on how Term 32(2) of the Terms of Union is to be applied". The Agency cited an number of changes in circumstances since the decision of the former CTC Review Committee Decision No. 1987-02 dated August 28, 1987, to justify this further process.

As background, under Term 32(2) of the Terms of Union and the interpretation reflected in the Review Committee decision, Newfoundland is entitled to CN rates no higher than those applying to the Maritime mainland for similar commodities as increased to reflect the extended distance over the (former) rail routing via North Sydney to Port aux Basques. Such rates are considered to be maximum rates and are not subject to the compensatory requirements of the NTA, 1987.

The Agency rendered yet another decision (No. 266-R-1991 dated May 22, 1991) in the matter. By its majority decision (Messrs. Weinberg and Penner) the Agency concluded:

- *Terms of Union rates are to be based on published Maritime rates and/or confidential contracts which have similar terms and conditions (the Agency declined to agree on a blending of net confidential contract rates);*
- *Maritime rates, upon which Terms of Union rates are based, must be compensatory (to the Maritime points) in the manner that the traffic actually moves to Newfoundland (i.e., container) and shall be no lower than prevailing published intermodal rates in the Maritimes;*
- *Terms of Union rates shall be based on the traditional railway mileage and routing via North Sydney but CN is free to move freight to Newfoundland by any manner and route;*
- *Rates to Newfoundland <u>below</u> the Terms of Union rates must meet the compensatory requirements of the NTA, 1987, and the costs shall be the actual costs (rail costs, plus water costs, plus pick-up and delivery) via the actual route taken (this departs from the Review Committee decision which stipulated that the water portion of the route should be costed as if it were an extension of the Maritime railroute).*

In a dissenting opinion, Agency Member Kenneth Ritter disagreed on a number of key points, including:

- *Confidential contract rates to the Maritimes can be quantified and should be used as a basis for Terms of Union rates to Newfoundland;*
- *Terms of Union rates should be based on all available compensatory Maritime rates for the movement of the same, similar or analogous freight, regardless of the use of any particular railway equipment;*
- *Terms of Union should not be limited to Maritime rates costed on the basis of equipment used to move freight to Newfoundland;*
- *A blending of published rates and confidential contract rates to the Maritimes should be used to develop Terms of Union rates as adjusted to reflect any service enhancement to Newfoundland versus to the Maritimes.*

An application for leave to appeal to the Federal Court has been filed by the Government of Newfoundland on the grounds that the Agency erred in law in a number of its findings. Representations in support of the granting of leave to appeal were filed by the APTC and the Town of Channel-Port aux Basques, while opposition was submitted by ACE and CN. At the conclusion of the year, the Federal Court had not dealt with the application of the Newfoundland government.

In the meantime, and seemingly ignoring the application for leave to appeal to the Federal Court, on February 13, 1992, the Agency issued an interim report on the ACE complaint and the decision of May 22, 1991, containing information on rate and cost development covering certain commodity movements identified by ACE. The rates developed by the Agency on the specific commodity movements revealed that ". . . the compensatory costs in all cases exceed the CN rates to Newfoundland and in the majority of cases exceed the Terms of Union rates". In other words, based on the rate making methodology permitted under the Agency's decision, Terms of Union (maximum) rates are substantially higher than the prevailing rates of CN on the commodity move-

ments examined and failed to meet the compensatory requirements. Assuming that the rates on the commodities examined by the Agency are representative, the implementation of the decision would mean substantial increases in CN rates to Newfoundland thereby weakening competition and jeopardising CN's continued participation in the Newfoundland market.

The Agency invited comments from interested parties which brought forward a variety of criticism from the Newfoundland government and the APTC. Both parties urged the Agency to allow the legal process to be concluded before making an order requiring adjustments in CN rates. The submission on behalf of ACE stated, "In the absence of voluntary action by CN to comply with Section 112 (the compensatory requirements of NTA, 1987), ACE will have no alternative but to initiate a complaint in respect to all CN rates".

## *MARITIME ECONOMIC COOPERATION*

In May of 1991, the Premiers of New Brunswick, Nova Scotia and Prince Edward Island released a discussion paper on Maritime economic integration entitled, *Challenge and Opportunity*. This paper outlined the Premiers' commitment and approach to achieving economic self-reliance for the region and improving the well-being and prosperity of the people. The following strategic goals were outlined:

- *reduce dependence on government;*
- *remove barriers to the mobility of people, goods, services and capital;*
- *create a more competitive and entrepreneurial business environment;*
- *improve infrastructure;*
- *establish and maintain high standards of health, safety and labour practices;*
- *protect and enhance the environment; and,*
- *improve the well-being and prosperity of the region.*

More specifically in relation to transportation, the discussion paper stated, that the ultimate objective of the Maritime Governments is to eliminate all regulation for trucks and buses, except what is required to ensure public safety and to protect the highway system and the environment.

In June, 1991, the Maritime Forum of Cabinets released a paper on transportation regulation which outlined specific short term plans in relation to transportation which included:

1. The Maritime Provinces will amend provincial legislation to deregulate intra-provincial trucking at the same time as the federal deregulation of extra-provincial trucking.
2. The Maritime Provinces will pass uniform legislation to regulate scheduled and charter bus services through a Maritime motor carrier board to ensure that provincial boundaries will not be an obstacle in the provision of efficient bus service within the region.
3. Seasonal weight restrictions will be examined with the objective of making them uniform where the benefits to shippers and truckers exceed the cost of government.
4. Uniform regulations will be developed dealing with periodic safety inspection of all motor vehicles.
5. Common regulations and administrative procedures with respect to the administration of the National Safety Code.

In addition to these short term plans, future opportunities to achieve additional reduction and simplification of transportation regulation were identified:

1. Replacement of the three provincial acts dealing with the use of highway systems by uniform acts and regulations in the three provinces.
2. Ensure that the economic regulatory system for motor carriers is consistent among the three Maritime Provinces and between intra-provincial and extra-provincial trucking.
3. Study the regulation of scheduled and charter bus services to determine when it becomes appropriate to eliminate economic regulation of these sectors.

A sub-committee under the auspices of the Council of Maritime Premiers was established to explore the areas of cooperative opportunity outlined and the APTC responded to a request for input.

The APTC is a strong advocate of the process of transportation regulatory reform which will eliminate economic and market entry and exit controls on the transportation industry. In order to maximize the benefits, the elimination of such regulation must also reduce the administrative cost burden for carriers. Uniformity of administrative practices and enforcement of the various legislation and regulation impacting the transportation industry is as important as uniformity of the legislation and regulations themselves. In order for the economic benefits of uniformity to be fully realized, uniformity must be achieved in practice as well as in principle. Accordingly, there may be substantial economic benefits to be achieved, for both the transportation industry and the provinces by bringing the administrative functions concerned under a single administrative body covering the Maritime Provinces.

Under the Maritime Economic Initiative, work is underway by various committees and recommendations are expected to be made to the second Maritime Forum of Cabinets in June of 1992.

## *TRANSPORT CANADA COST RECOVERY*

In August, 1990, Transport Canada released its Phase II discussion paper dealing with a *Proposed New Cost Recovery Policy*. Following release of the discussion paper, many interest parties, including the APTC, submitted their comments to Transport Canada (see APTC *1990-91 Transportation Review and Annual Report*, page 33).

Due to the significant opposition to the cost recovery proposals generated by the discussion paper, Transport Canada undertook a re-examination of the policy during the past year. However, by year end (March 31, 1992), no further proposals had been presented by Transport Canada.

## *ATLANTIC PORT COMPETITIVENESS*

Major losses in liner shipping services through the Port of Halifax occurred during the past year. This resulted in a marked deterioration in the availability and frequency of container services through the port for the movement of exports and imports to/from the Mediterranean, Australia, New Zealand, Japan and southeast Asia. The Port of Saint John also suffered loss of services to South America. These losses were only nominally offset by new or expanded services.

The competitiveness of the Atlantic ports of Halifax and Saint John, and for that matter North American ports generally, is being affected by changes of a global nature which for the most part are beyond the control of the ports and even the nation. Changes in global trading patterns combined with a poor economic performance in Canada and among our major trading partners has reduced trade and resulted in overcapacity in many trade routes. This has brought rationalization among shipping lines and services, along with reductions in direct ports of call. In relation to Pacific trade routes, the use of the Panama Canal is giving way to the use of U.S. west coats ports, and to a lesser extent the Port of Vancouver, and beyond by double-stack trains to serve all of North America. Competition from U.S. North Atlantic ports has also become more aggressive with the purchase of the Delaware of Hudson Railway by CP Rail and the double-stack container services instigated by ConRail to Chicago as well as Montreal and Toronto.

Both Halifax and Saint John have experienced good and bad times in liner shipping activities over the years. *Graph 4* will illustrate the variations in the number of sailings per month of container/ro-ro ships during the past 20 years.

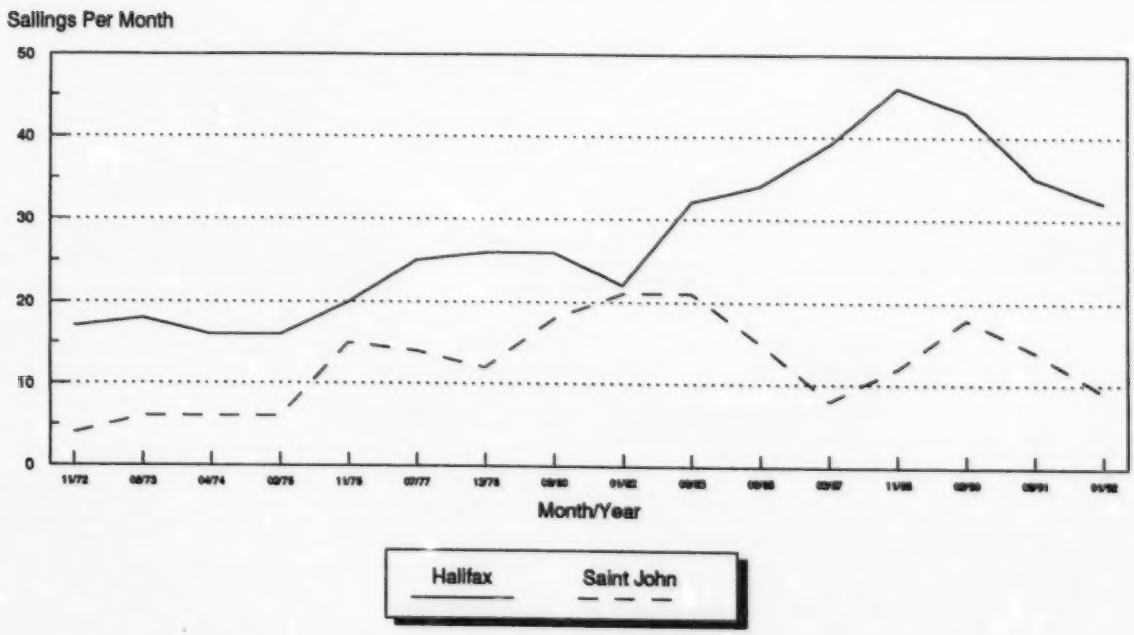
A development of major importance during the past year was the implementation of double-stack rail service by CN Rail between Halifax and Montreal/Toronto which commenced in September, 1991. This long-awaited announcement was spurred on by financial support from the Province of Nova Scotia to cover the costs associated with the first 3.5 years of a ten-year lease for special rail cars amounting to $3.3 million per year up to a total of $11.5 million. As part of the commitment with the Province, rail container rates between Halifax and Montreal/Toronto were reduced by approximately 9%.

Concern over the loss of shipping services at the port prompted the Premier and the Minister of Industry to appoint an eight-member Task Force on the Future of the Port of Halifax and specifically the competitive situation facing the port. Following its appointment in October, 1991, the Task Force heard submissions from a large number of organizations and individuals, including the APTC. In addition to providing historical information on shipping service patterns through the Ports of Halifax and Saint John, the APTC submission stressed two main areas of concern. First, the impaired ability of exporters in the region to maintain overseas markets in the face of declining services, and secondly, the threat to the very existence of the rail system to Nova Scotia in the face of declining container traffic through the port. At the conclusion of the year, the Task Force was in the process of completing an interim report.

During the latter part of 1991 the Canada Ports Corporation released a report entitled, *Towards A Canadian Intermodal System: Recommendations For Change*. The report consisted of an edited version of a study prepared by a Committee on container competitiveness established in 1989 in response to concerns by various ports in the system over their ability to compete. The report identifies the factors which influence the competitiveness of Canadian container ports and routings and is very informative in areas such as the world container shipping environment and intermodalism in North America. The report concludes that improvements in the competitiveness of Canadian container ports and surface partners require an increased, stable, balanced volume of container traffic. Among the 16 recommendations, the report urges, ". . . that Government should consider the advisability of providing cost relief to the rail carrier industry in the form of: changes in Provincial property taxes; changes in corporate income tax; changes in capital cost allowance (depreciation); changes in permitted rate of uneconomic rail plant abandonment, changes in national transportation regulations".

*Graph 4*

**HISTORY OF MONTHLY SAILINGS (CONTAINER AND RO/RO VESSELS) FROM HALIFAX AND SAINT JOHN TO OVERSEAS DESTINATIONS 1972 TO 1992**




Source: APTC *Directory of Ocean Shipping Services* (based on the issuing date of each directory).

The Round Table on Transportation Through the Greater Vancouver Gateway, in a paper released in December, 1991, came to similar conclusions. In that paper, it was noted that fuel taxes are about 43% higher and property taxes between 38% and 160% higher than in the U.S. and that taxes in Canada must be substantially reduced in order for the railway transportation sector to be able to provide cost-competitive and efficient service to Canadian shippers.

Regional exporters to overseas markets are dependent on the availability of direct liner services offering frequent sailings, fast transit times and door-to-door service. Curtailment of services through the Ports of Halifax and Saint John has already created some voids in service availability (at a competitive cost), but it is fair to say that the situation has not yet reached what might be termed a critical stage. The results of the "Regan" Task Force, along with ongoing efforts by port interests and inland carriers, will be sought with eager anticipation.

## *TRANS BORDER AIR SERVICES LIBERALIZATION*

Negotiations between Canada and the United States to establish a new bilateral air agreement commenced during 1991. Five negotiating sessions took place between April, 1991, and March, 1992. The objective is to replace the current outdated bilateral agreement with a more liberalized arrangement which better reflects the realities of current market conditions (see page 35, APTC *Transportation Review and Annual Report, 1990-91*).

The APTC believes that there is a need for expanded transborder air service between the Atlantic Provinces and the United States, for both passengers and cargo. Restrictions under the current agreement prevent the expansion of services required if this region is to take full advantage of the market opportunities available as a result of the Free Trade Agreement.

Preliminary positions outlined in the discussions to date indicate that negotiations may take some time to conclude. Canada, while agreeing to immediate access at most airports, wants to phase in United States carrier access to the three largest airports - Montreal, Toronto and Vancouver - over a 10-year period. Canada is also seeking immediate access to United States airports for Canadian carriers, a dispute settlement mechanism and protection of the Canadian overnight air express industry and the air charter industry. Both sides have agreed to remove cabotage from the negotiations. Open cabotage would have permitted airlines from either country to operate on domestic routes.

The United States would like phased in access to the three major airports within 18 months to three years, with immediate access to other points. The U.S. is also seeking "fifth freedom" rights which would enable U.S. carriers to take Canadian passengers to another country other than the United States. Due to the predominantly local control of U.S. airports, federal authorities are unable to negotiate guaranteed Canadian access to U.S. airports. The U.S. authorities are also reluctant to agree to prolonged protection for Canadian air charter carriers which now control approximately 95% of the market.

Negotiations towards a more open air transport environment between the two countries are expected to continue throughout 1992.

## *NATIONAL TRANSPORTATION ACT COMPREHENSIVE REVIEW*

Canada's federal transportation legislation requires the undertaking of a comprehensive review of the operation of the National Transportation Act, 1987 (NTA); the Motor Vehicle Transport Act, 1987 (MVTA); the Shipping Conferences Exemption Act, 1987 (SCEA); and certain provisions of the Railway Act which were amended by the NTA. This review is to take place during the fifth year after the enactment of the legislation. In January, 1992, the federal Minister of Transport appointed a five member NTA Review Commission to undertake the comprehensive review.

The Review Commission members include Gilles Rivard, Quebec City, PQ, as Chairman; John Gratwick, Halifax, NS; Frank Collins,

Montreal, PQ; Clay Gilson, Winnipeg, MB; and Horst Sander, Prince George, BC.

The review will assess the effect of Canada's transportation legislation on shippers, travellers and carriers, as well as on trade. The impact on the various regions and their economic development will also be considered. The Review Commission may recommend amendments to the national transportation policy, as well as to the legislation, where desirable.

Among the issues the review will consider will be the effect of railway confidential contracts on shippers and on railway efficiency. The necessity of maintaining a compensatory rate requirement for railway transportation will be examined. Other issues included in the review are: competitive railway access in the various regions of the country; the impact of the legislation on air service; the adequacy and effectiveness of trucking legislation as it affects carriers and shippers; the need for retaining, modifying or terminating any or all shipping conference practices which are exempt from the Competition Act; the effect of the legislation on employment and labour relations; and the effect of competitive line rate provisions on railway financial viability and service levels.

The review is to be completed and a report submitted to Parliament prior to January 31, 1993. The Review Commission has invited submissions on the pertinent issues by June 30, 1992, and indicated that it will be consulting with various interested parties. The APTC will be presenting a submission on behalf of the interests of Atlantic Region shippers to the Review Commission.

### *Motor Vehicle Transport Act*

The Motor Vehicle Transport Act, 1987, required that the "reverse onus" provisions expire on December 31, 1992. However, before that takes place, the Minister is required, during the fourth year that the "reverse onus" provisions are in effect, to undertake a review of those provisions.

In August, 1991, the APTC was asked to submit comments concerning the review of the "reverse onus" provisions of the MVTA. In its submission, the APTC pointed out that, in April, 1987, in an appearance before the House of Commons Standing Committee on Transport, the APTC has supported the goal of establishing "fit, willing and able" as the criteria for the granting of motor carrier authorities. Nothing has occurred during the ensuing time to alter the APTC's belief that competition and market forces are the best means to ensure that the motor carrier industry meets the requirements of shippers. The granting of motor carrier licenses on the basis of "fit, willing and able" criteria is required to allow those market forces and competitive factors to determine the level of service provided by the motor carrier industry.

The APTC also feels that no restrictive provisions should be retained in the legislation which might at some later point in time be utilized to protect a position of market dominance. In practice, due to the interpretation placed on the legislation by the provincial motor carrier boards, the "reverse onus" provisions of the MVTA have largely ceased to have meaning in the Atlantic Provinces. Therefore, it is the position of the APTC that the "reverse onus" provisions of the MVTA should be allowed to expire as scheduled on December 31, 1992.

The report on the review of the "reverse onus" provisions had not been made public at the time of the writing of this report. The Minister may by proclamation order the continuation of these provisions. However, should they be allowed to expire, "fit, willing and able" will become the criteria utilized for the granting of motor carrier authorities. The "fitness" criteria will include requirements related to safety and insurance and may include bonding coverage.

### *Shipping Conferences Exemption Act*

The comprehensive review of Canada's transportation legislation will include a review of the Shipping Conferences Exemption Act, 1987 (SCEA). This Act provides an exemption from the Competition Act in the case of ocean liner conference agreements.

During 1991, in preparation for the comprehensive review of SCEA, an Industry Advisory Group was formed to provide input to the Review Commission. The IAG, which included representatives from both the private and public sectors including shippers, forwarders and carriers, held a series of meetings across the country to hear the views of all interested parties. Other groups, including the Canadian Shippers Council, will also be developing separate positions for the consideration of the Review Commission.

In a submission to the IAG, the APTC noted that the conferences were making little use of the pro-competitive features of the Act. Service contracts and independent actions were of little significance. Also, the provisions for interaction between the conferences and the designated shippers group, the Canadian Shippers Council, did not appear to be working. As shipping lines rationalize services and reduce capacity, the monopolistic powers of the conferences could place shippers in an untenable position.

Despite the concerns noted, the APTC concluded that, so long as ocean shipping conferences are afforded protection from United States antitrust laws, it is essential that Canada maintain similar protection. The unilateral abandonment of the legislation in Canada could result in the further loss of ocean conference member lines serving Canadian ports. This would have a devastating impact on exporters in the Atlantic Provinces.

The APTC recommended that the SCEA should be maintained so long as similar legislation prevails in the United States; the pro-competitive features of the SCEA should be strengthened; independent action on service contracts should be permitted; and the requirements of the SCEA pertaining to meetings between conferences and the designated shippers' representative need to be expanded and clarified.

These views will be submitted to the Comprehensive Review Commission for their consideration in the review of Canada's transportation legislation.

## ATLANTIC REGION FREIGHT ASSISTANCE

In its past two annual reports, the APTC has shown payments by the federal government under the Maritime Freight Rates Act (MFRA) and the Atlantic Region Freight Assistance Act (ARFAA) as fiscal year figures (April 1 to March 31). We have since noted that the use of fiscal year figures could lead to confusion as most other reporting is done on a calendar year. Accordingly, the payments shown in this report are calendar year figures and **not** fiscal year figures.

Payments under the MFRA and ARFAA for the calendar year 1991 were approximately $105 million, which represents a 2.41% reduction from the previous year. Details of the payments for the past four calendar years are shown in *Table 8*.

### Additional Commodity Coverage

Commodity coverage under the westbound selective assistance program was extended effective February 13, 1992, to include the following commodities: concrete cribbing (does not include concrete blocks), candles, and hand and garden tools.

### Proposed Spending Control Act

During the past year, the federal government introduced a proposed Spending Control Act which, if passed, will legislate spending limits on government programs to a maximum average annual increase of 3% beginning in the year 1991-92 until 1995-96. Following second reading, the Bill has been considered by the House Finance Committee and is expected to be brought back for third and final reading in early April, following which it will move to the Senate. The spending limits are intended to apply on global spending and are not to be used to restrict spending on any particular program. However, because the MFRA/AFRAA program is "open ended" and is not subject to specific spending limits, it may be reasonable to assume that there will be added pressure towards reduction or elimination of individual program spending, including the MFRA/ARFA transportation subsidy.

### Proposed Administration Changes

The National Transportation Agency has proposed to implement certain administrative changes affecting the various aspects of carrier claim filing procedures. These changes, as outlined below, are intended to speed up the process of verifying and paying claims to the carriers:

- *electronic submission of claims (where carriers have the capability;*
- *the requirement to provide supporting documents with claims that are submitted electronically;*
- *elimination of witnessing of the claimant's signature on the claim form;*
- *the introduction of a limitation period regarding incomplete applications for certification, inactive certificates and submission of dated claims;*

- *standardize effective date of certification; and,*
- *the creation of Maritime Freight Rates Compensation Regulations.*

The NTA held a series of meetings in November and December of 1991 to consult with carriers and industry regarding these proposed administrative changes in the regulations concerning the MFRA/ARFA programs. It is anticipated that it could take to the spring of 1993 to complete all stages of the regulatory process before these changes can be implemented.

In February, 1992, the APTC wrote to the National Transportation Agency to state its support for the changes which are designed to streamline and speed up the verification and payment of claims. However, the APTC also noted its concern about the proposal to eliminate the requirement for carriers to file tariffs with the Agency. The APTC urged that the tariff filing and verification of rate requirements be maintained.

The APTC's concern is based upon the belief that the Atlantic Region Freight Assistance Program must be protected from abuse. The APTC questioned the ability of the proposed field audit process to adequately deter abuse of the program and stated that the tariff filing requirement at least provides the Agency with some method of checking claims in advance of making payment. It also provides public assurance that some method of control and scrutiny is applied to the program in advance of claim payments. While the APTC recognizes that these things are not, by themselves, a prevention against abuse, they do contribute to minimizing the potential for abuse.

*Table 8*

**TABLE SHOWING PAYMENTS UNDER THE ATLANTIC REGION FREIGHT ASSISTANCE PROGRAMS ($X'000)**

| Calendar Year | Rail | Truck | Water | Total |
|---|---|---|---|---|
| | | **Intra-Regional** | | |
| 1991 | 9,300 | 44,300 | 800 | 54,400 |
| 1990 | 7,900 | 45,400 | 900 | 54,200 |
| 1989 | 4,900 | 38,200 | 600 | 43,700 |
| 1988 | 7,600 | 40,100 | 800 | 48,500 |
| | | **Westbound Basic** | | |
| 1991 | 10,000 | 27,000 | 0 | 37,000 |
| 1990 | 11,500 | 28,000 | 0 | 39,500 |
| 1989 | 6,000 | 21,200 | 0 | 27,200 |
| 1988 | 13,300 | 23,000 | 0 | 36,300 |
| | | **Westbound Selective** | | |
| 1991 | 4,000 | 9,700 | 0 | 13,700 |
| 1990 | 4,700 | 9,300 | 0 | 14,000 |
| 1989 | 2,200 | 7,700 | 0 | 9,900 |
| 1988 | 3,800 | 8,100 | 0 | 11,900 |
| | | **Total Payments - Intra-Regional and Westbound** | | |
| 1991 | 23,300 | 81,000 | 800 | 105,100 |
| 1990 | 24,100 | 82,700 | 900 | 107,700 |
| 1989 | 13,100 | 67,100 | 600 | 80,800 |
| 1988 | 24,700 | 71,200 | 800 | 96,700 |
| 1991 vs. 1990 Increase or (Decrease) | (800) | (1,700) | (100) | (2,600) |
| % Change | (3.32%) | (2.06%) | (11.11%) | (2.41%) |

Source: National Transportation Agency of Canada

## PEAT MOSS TO JAPAN

Changes in shipping services during the later part of 1991 by ocean lines providing service to the Far East via the Port of Halifax prompted concern that peat moss exporters located in the Atlantic Provinces may be unable to obtain adequate vessel space and container equipment at an affordable rate, which could result in the potential loss of the important Japanese market.

During 1991, Canada provided 85% of the total volume of peat moss imported by Japan, with 88% of the Canadian total originating in Atlantic Canada. A number of Atlantic Provinces peat moss producers export in excess of 50% of their total production to Japan, while several others export from 20% to 40% of their total production to this market. As a low value product, combined with the fact that peat moss is extremely bulky as packed for shipment, transportation represents a high proportion of the delivered price.

In keeping with the APTC's objective of ensuring the availability of adequate and suitable transportation at a cost that will permit shippers in the Atlantic Provinces to compete in markets both at home and abroad, the APTC undertook an evaluation of the transportation situation as it relates to the movement of peat moss from the Atlantic Provinces to Japan. The results of the evaluation are presented in the APTC's report entitled, *A Study of the Adequacy of Transportation for the Movement of Peat Moss to Japan.*

The report identified that, despite limitations imposed by the remaining lines serving Japan via Halifax, sufficient vessel space and container equipment will be made available to meet most, if not all, of the current demand by peat moss shippers for service through Halifax. However, the space and equipment is only being made available at Halifax at an increased cost per container over the cost of shipping during 1991. Peat moss being transported over west coast ports via Montreal will bear an even greater increase.

The report also states that the concept of breakbulk shipping should be seriously examined by all peat moss exporters as a viable alternative to container shipping. The increasing level of container rates, combined with the growing competition from other countries, could have serious consequences because of the current dependency of the peat moss industry on door-to-door container shipping services through Halifax.

The report notes that the current availability of vessel space and equipment may be reduced as more higher paying cargo becomes available to the ocean lines. As well, continued upward pressure on freight rates can be expected.

The report stresses that peat moss exporters, in cooperation with their customers, must explore shipping options and methods (bulk shipping via Saint John and containers via west coast ports), and continue to seek ways of reducing transportation costs and resolving service-related constraints.

In conjunction with peat moss exporters and representatives of the provincial governments, the APTC will continue to monitor the situation and assist in exploring shipping options.

## GRAIN ELEVATORS IN ATLANTIC CANADA

There were few developments of a concrete nature during the past year concerning the future of terminal grain elevators in Atlantic Canada. Bill C-11, an Act to terminate the "At and East" export grain and flour subsidy, received royal assent on November 26, 1991, and is now law. In effect, this was a mere formality as the subsidy program itself was terminated in July of 1989 as part of the federal budget in April of that year (for more background see APTC annual reports for 1989-90 and 1990-91).

The future viability of the Halifax elevator remained a matter of speculation at year end pending a definite response by the federal government to the results of a study (*Grains 2000 - Atlantic Elevators Study, November, 1990*). The APTC and others have exchanged correspondence with the Honourable Charles Mayer, Minister of State - Grains and Oilseeds, resulting in a general indication of support for the Halifax facility to meet the needs of the Atlantic agri-food sector but so far there has been no firm action.

The Saint John elevator was closed in May, 1990, as a direct result of the termination of the "At and East" subsidy. The potential for the use of water transportation for the movement of feed ingredients into New Brunswick was the subject of a consultant's study during the past year. The study, which is expected to be released early in the coming fiscal year, will examine the need and most suitable location for grain handling facilities in southeastern New Brunswick.

## *COASTING TRADE LEGISLATION*

Bill C-33, the Coasting Trade Act, was introduced in the House of Commons in September, 1991, received second reading on October 9 and was referred to the Standing Committee on Transport. The Committee received submissions in March, 1992, and, at the conclusion of the year, the Bill was still at the Committee stage.

This Act, subject to certain exceptions, will continue to reserve Canadian domestic coasting trade to Canadian ships. The new Act is intended to update existing provisions in the Canada Shipping Act which limits such trade to British ships (including Canadian as well as Commonwealth built and owned ships). This is the second attempt at updating this legislation as it follows Bill C-52 which died at the Senate Committee stage when the election was called in the fall of 1988 (see APTC annual reports 1987-88 and 1988-89).

Under the existing and proposed legislation, coasting trade will continue to be limited to Canadian ships, except under limited circumstances. There will continue to be provision for the Minister of National Revenue to grant a license or waiver in respect of the use of a foreign ship or a non-duty paid ship where the Minister is satisfied that:

*(a) the Agency (the National Transportation Agency) has determined that no Canadian ship or non-duty paid ship is suitable and available to provide the service or perform the activity described in the application;*

*(c) arrangements have been made for the payment of duties and taxes under the Customs Tariff and Excise Tax Act applicable to the foreign ship in relation to its temporary use in Canada;*

The duty payable upon temporary entry is 1/120 of 25% of the value of the ship per month, or part thereof.

The APTC submitted written representations to the Standing Committee on Transport in March, 1992, with the objective of ensuring that Canadian manufacturers and producers, as users of marine services, are protected from the potential of unreasonable rates and less than suitable marine services given the almost exclusive control of the market accorded to Canadian shipowners. Three specific recommendations were submitted to address this concern.

First, the provision for granting waivers, when no suitable Canadian ship is available, is too narrow. The APTC submission recommended changes to broaden the scope so that "suitability" of the Canadian ship is judged not only on its physical suitability and availability but also on economic suitability, i.e., "at a competitive level of freight rates or charter hire". The second recommendation to the Committee urged the elimination of customs duty which is imposed on the use of foreign ships or non-duty paid ships under a temporary entry process. The APTC argued that, once having determined that no Canadian ship is suitable and available, the assessment of customs duties becomes counter-productive and is tantamount to charging duty on goods of a class or kind not made in Canada. The third and final point included in the submission identified the need to ensure that the legislation is accompanied with a process that responds expeditiously to applications for licenses to use a foreign or non-duty paid ship.

## AGRI-FOOD TRANSPORTATION INITIATIVES

The federal government's National Agri-Food Policy Review continued during 1991 (see *1990-91 Transportation Review and Annual Report*, page 39). In July, 1991, a meeting of federal and provincial agriculture Ministers agreed that further consultation with a wide range of stakeholders on issues relating to western grain handling and transportation was required. The Ministers stressed the need to ensure a good understanding of the options, their consequences and their consistency with the principles of the review.

As a result, a series of 138 public meetings across Canada was conducted by an independent third party facilitator. Despite poor advance publicity in the Atlantic Provinces, five meetings were scheduled in several communities in the Maritimes in February, 1992, to discuss a number of issues including: the Western Grain Transportation Act method of payment; options which could make our grain handling and transportation system more efficient and less costly; changing the basis point for pooling costs from Thunder Bay to the St. Lawrence; minimum compensatory rates on canola products; and any impacts such changes might have on rural communities. A report on the results of discussions at these public meetings is anticipated in April, 1992.

Following the receipt of this report and others, the Ministers will make a number of decisions covering such items as the western grain transportation system, minimum compensatory rates for canola, Feed Freight Assistance and the Atlantic Livestock Feed Initiative. Decisions on the future of these programs are expected during 1992.

## PRINCE EDWARD ISLAND FIXED CROSSING

As outlined in last year's annual review, a four member panel of ice experts was appointed to review the effects of a proposed bridge on spring ice-out delay and comment on whether the specific bridge proposals by the three developers will meet the criterion of a two-day delay in the ice-out over a period of 100 years.

On April 15, 1991, the committee announced the completion of the first stage of its mandate. It was satisfied that, based on the results of a new model on ice jams and break-up, a bridge which meets the criterion for ice delay established by the Federal Environmental Review Panel can be constructed across the Northumberland Strait.

Shortly after the announcement by its panel of ice experts, the project proceeded to the next step - a pricing call to the three developers. These developers were invited to submit their specific financial plans and demonstrate how their proposals meet the environmental requirements, including the criterion for ice-out delay.

Public Works Minister Elmer MacKay announced in early 1992 that the bridge construction proposals submitted by three Canadian development consortia for the Northumberland Strait Crossing Project have met the environmental criteria established by the federal government in response to the Environmental Assessment Review Panel (EARP) report.

The fixed link proposals were submitted by Strait Crossing Inc. of Calgary, AB; Borden Bridge Company of Fredericton, NB; and P.E.I. Bridge Ltd. of Toronto, ON.

The three developers are presently in the process of submitting their financial security packages to the Government of Canada to demonstrate their commitment to assume the financial risk for the construction and operation of the bridge. The developers who successfully pass this assessment will then submit their bids for a 25-year federal annual operating subsidy, which will be paid commencing the first year of operation of the bridge. For the project to proceed, such proposals would have to fall within the guidelines for pricing set down by the federal government, that the annual subsidy paid to the successful bidder for the contract for construction of the link not exceed the amount paid out by Ottawa for the Marine Atlantic ferry service.

The developer whose bid is accepted by the federal government is required to finalize the financing. Also, the successful developer will be required to submit its proposal and environmental management plan to public scrutiny and comment, and to demonstrate how it intends to address

any impact on the environment. This plan will be reviewed further by the inter-governmental environmental evaluation committee as one of the conditions required before any formal agreement is signed.

With the concurrence of the governments of Prince Edward Island and New Brunswick, and upon the conclusion of a federal/provincial agreement with both provinces, a contract could be signed by early summer, 1992.

A development agreement with the successful consortium would then signal the start-up of construction activities.

In a recent letter to the federal Minister of Transport, the APTC reaffirmed its support for a fixed crossing of the Northumberland Strait as the best means of providing a long-term and efficient transportation connection for both passengers and freight between Prince Edward Island and the mainland.

## *SERVICE TO INDUSTRY*

Under the APTC's mandate to assist business and industry in the Atlantic Provinces with transportation matters, the APTC provides a wide range of assistance on matters such as rates and services information, expertise in rate negotiations, information on carriers' liability, subsidy programs, transportation regulations, rail abandonments, and private truck costing, to name a few. Much of the work done is very specific and, to a significant degree, confidential in nature. Accordingly, it is not possible to provide detailed coverage in this report. Nevertheless, to give an indication of the broad range of matters dealt with in the past year, the following is provided.

As in previous years, the preparation of extensive tabulations of freight rates for particular industry groups were undertaken at regular intervals. Rate tabulations were distributed to the potato industry on potatoes from New Brunswick and Prince Edward Island to Ontario and Quebec. Similar statements were prepared for the feed industry on inbound feed and feed ingredients from Central and Western Canada, the peat moss industry, as well as the fertilizer industry.

Numerous inquiries were received from shippers and carriers on such topics as the transportation of dangerous goods, carriers' liability, terms and conditions of carriage, settlement of loss and damage claims, and the application of the GST, to name a few. While the APTC is not an arbitrator in these matters, information is provided based on past experience and knowledge, as well as the availability of technical articles and material in the APTC library.

A number of inquires were received for information relating to the Atlantic Region Freight Assistance Program from both industry and carriers. The APTC assisted several shippers with their applications to the Federal/Provincial Committee on Atlantic Region Transportation for commodity eligibility under the Atlantic Region Freight Assistance Act - Selective Westbound Subsidy.

Various government departments and regional industrial commissions requested information in the past year on many transportation matters, from cost and location analysis to government policies and regulations.

In response to specific requests from companies shipping a wide range of commodities throughout the region, the APTC prepared a variety of freight rate statements covering various modes of transportation.

A significant number of regional companies contacted the APTC for guidance on potential or actual shipments to overseas markets. A number of ocean rate quotations on a variety of different commodities were secured by the APTC on behalf of these potential or actual exporters.

Two detailed private truck cost analyses were conducted by the APTC during the year under review. One of these was conducted on behalf of a Maritime dairy company, while the other was for a Maritime bakery.

Through an industrial inquiry, a potential Nova Scotia converter of newsprint paper was provided with a detailed statement of freight rates from Nova Scotia to various United States destinations by truck, rail and marine modes.

A Prince Edward Island individual was provided with guidance on the best means of transport to and from Newfoundland, including estimated costs for the transportation of bulk commodities.

The APTC secured a number of rate quotations on behalf of a Nova Scotia textile company for LTL shipments to the United States.

A New Brunswick engine company was assisted by the APTC in obtaining rate quotations from a number of carriers on shipments of used cores from the United States.

At the request of a producer of fish products in Newfoundland, the APTC did an extensive analysis of transportation costs to overseas markets.

The APTC secured rate quotes from air and marine transportation companies on behalf of a Prince Edward Island company for a potential shipment of plants to an overseas destination.

A historical comparison of canola oil rail rates was prepared for a New Brunswick food company.

A Nova Scotia textile company was provided with a comparison of rates to Boston from Nova Scotia and from central Canada to identify the competitive relationship with central Canadian producers.

A statement of the history of changes in rail line haul rates on containers to and from Halifax, NS, and Saint John, NB, was prepared by the APTC for distribution to the port authorities.

The Newfoundland and Labrador Department of Works, Services and Transportation was assisted by the APTC in evaluating an increase in coastal rates on frozen fish and other commodities.

Through the New Brunswick Department of Economic Development and Tourism, a potential leisure wear manufacturer was provided with a statement of rates from three New Brunswick locations to overseas and United States markets.

## *MEETINGS AND CONFERENCES*

The APTC held a series of seminars in twelve locations throughout the Atlantic Region between October 31 and December 4, 1991.

The themes of the seminars were "Buying Transportation Services" and "Reducing Transportation Costs". The first theme included tips on effective negotiating; contract provisions; the impact of regulatory reform on the purchasing of transportation; and effective carrier selection. The second theme covered such topics as claims and claims procedures; carrier liability; transportation subsidies (MFRA/ARFAA); and the Bill of Lading. The seminar was focused on the small shipper/business.

In total 235 persons attended the seminars. In addition to shippers, a number of persons representing carriers; the federal, provincial, and municipal governments; and the education/consulting fields; also attended. Overall participants indicated a very favourable response to the seminar content and presentation.

Included in the seminar format was a period of time set aside for seminar participants to express their views concerning transportation issues important to them. The following is a summary of some of the issues discussed at the seminar:

- Most shippers expressed satisfaction with the provisions of the *National Transportation Act, 1987*, in particular the ease of entry provisions which have provided a high level of competition in the truck mode. There was a general consensus that shippers have a wide selection of modal and carrier choices, with carriers providing good service at competitive and relatively stable rate levels. The confidential contract provisions for both the truck and rail modes are also beneficial according to shippers and carriers attending the seminars. The provisions have allowed a great deal of flexibility to meet shippers needs.
- A number of Atlantic Region Freight Assistance subsidy-related questions were discussed and addressed. These generally focused on the application of the subsidy for specific shippers.
- Several service-related problems were discussed. These included service inadequacies to specific areas within the Atlantic Region, and problems with obtaining suitable equipment for some specific industries facing the need for specialized equipment at peak demand periods. Some claims-related problems were discussed as well. It would appear that while the number of shortage and damage claims have decreased

in recent years, those that do occur are not being settled as expeditiously as in the past.

Generally, however, service levels were good for most shippers attending the seminar indicating that the Atlantic Region is being well served in the era of regulatory reform.

In addition to being a member and participating in regular meetings of the Transportation Committees of several regional trade organizations, the following summarizes the APTC's participation in meetings and conferences during the past year where an address, prepared report, or a specific leadership role was involved:

*Table 9*

| Date | Conference/Meeting/Organization | Nature of Participation |
|---|---|---|
| | **1991** | |
| April 18 | Trade Development Seminar | Panelist |
| May 9 | Canadian Feed Industry Assoc./Atlantic Division Annual Meeting | Report |
| May 30-31 | Atlantic Provinces Chamber of Commerce Annual Meeting | Report |
| June 5 | Canadian Shippers Council Conference | Panelist |
| June 5-7 | Maritime Lumber Bureau Annual Meeting | Report |
| July 9 | New Exporters to Border States Workshop | Address |
| September 4 | Probus Club of Moncton | Address |
| September 11 | Charlottetown Chamber of Commerce/Transportation Committee | Report |
| September 27 | Canadian Feed Industry Assoc./Atlantic Div. Semi-Annual Meeting | Report |
| October 8 | New Exporters to Border States Workshop | Panelist |
| October 8 | Industry Advisory Group on the Shipping Conferences Exemption Act, 1987 | Submission |
| November 19 | New Exporters to Border States Workshop | Panelist |
| November 22 | Doing Business in Mexico and the Caribbean Seminar | Panelist |
| | **1992** | |
| January 8 | New Exporters to Border States Workshop | Panelist |
| January 13 | Task Force on the Future of the Port of Halifax | Submission |
| January 17 | Doing Business in the Caribbean Seminar | Panelist |
| January 17 | NB Potato Shippers Association Annual Meeting | Report |
| February 11 | Parliamentary Committee on Truro-Sydney Rail Line | Submission |
| February 18 | Riverview Veterans Association | Address |
| February 27 | Peat Moss Association Annual Meeting | Address |
| March 9 | CITL Annual Transportation Conference | Panelist |

## *OTHER ACTIVITIES*

The number of publicly available published tariffs of carriers in 1991-92 continued to decline, thereby reducing the number of *Rate Advice* notices issued by the APTC. In 1991-92, the APTC issued and distributed to shippers in the region 1,367 *Rate Advices* as compared to 3,833 the previous year. With the lack of visibility of actual rates of carriers, the APTC, in responding to shippers' inquiries, places more emphasis on the economics and costs of providing transportation services, combined with an intimate knowledge of the market and well-placed requests for rate quotations from carriers.

The monthly newsletter, *"Tips & Topics"*, continues to be published, with a circulation of 1,937 copies. The drop in the number of copies from last year is the result of a readership survey and an updating of the mailing list in late 1990, which limited the distribution of the newsletter to those who specifically requested the publication.

The Commission maintains a close association with a number of organizations both within and outside the Atlantic Region. Specifically, liaison is maintained with the Atlantic Divisions of the Canadian Manufacturers As-

sociation, New Brunswick Potato Shippers Association, and the Prince Edward Island Potato Board. The APTC is a member of the Transportation Committees of the Annapolis Valley Affiliated Boards of Trade; Halifax Board of Trade; the Saint John Board of Trade; Canadian Feed Industry Association (Atlantic Division); Maritime Lumber Bureau; Nova Scotia Forest Products Association; Transportation Sector of the Voluntary Planning Group of Nova Scotia; and the Passenger and Airport Services Committee of the Greater Moncton Chamber of Commerce.

Membership is maintained in such organizations as the Atlantic Provinces Chamber of Commerce; Canadian Port Development Forum; Canadian Shippers' Council; Canadian Transportation Research Forum; Greater Moncton Chamber of Commerce; and the Moncton Transportation Club. The General Manager is a member of the Canadian Chamber of Commerce Transportation Committee and the Maritime Advisory Council (on port matters), as well as being a Director and Vice-Chairman of the Canadian Shippers Council. The APTC served as a member of a Steering Committee overseeing a study of the future operation of the Truro-Sydney rail line.

This continued membership in various organizations has enabled the APTC to maintain a strong presence and provide knowledgeable assistance to the business community. In addition, many companies, government agencies, organizations and individuals have utilized the APTC's library and file information in preparing reports on transportation matters.

The APTC continued to offer assistance to Atlantic Canadian companies dealing with the federal government. Such issues included coasting trade legislation (Bill C-33), changes in liner shipping services via the ports of Halifax and Saint John, the Shipping Conferences Exemption Act, the *National Transportation Act, 1987*, comprehensive review, and the need for an essential rail network.

The APTC published the thirteenth edition of the *Directory of Ocean Shipping Services Between the Ports of Halifax - Saint John and World Ports*. The Commission also published the sixth edition of the *Atlantic Provinces Transportation Directory*. The new three-ring binder format allows updates of the directory to be sent out to subscribers at regular intervals without having to replace the entire publication. The many improvements in this edition have evoked a number of positive responses from shippers and manufacturers in the region.

## COMMISSION DIRECTORS

In May, 1991, Arnold Meisner of Liverpool, NS, completed his term of office on the APTC Board of Directors after serving fourteen years. Mr. Meisner was first appointed by the Atlantic Provinces Chamber of Commerce in June, 1977, and served on the Executive Committee since 1988. Mr. Meisner was replaced by **Donald McNeil, P. Eng.,** General Manager, Bowaters Mersey Paper Co. Ltd., Liverpool, NS.

Gilbert Carter of Sussex, NB, after serving three years as a Director, submitted his resignation effective September, 1991. This resulted in one vacancy in the slate of Directors at the conclusion of the year.

**Paul Daigle**, by virtue of his appointment as President of the Atlantic Provinces Chamber of Commerce, became an *ex officio* Director of the APTC in February, 1992. Mr. Daigle replaces David Miller.

Sincere thanks and appreciation is extended to the former Directors for their contribution to the work of the APTC.

## STAFF CHANGES

On July 8, 1991, Laurel Cliff joined the staff in the capacity of Assistant Staff Secretary to fill a vacancy created by the resignation of Debbie MacLellan.There were no other staff changes during the past year.

## ACKNOWLEDGMENTS

*The Chairman, Directors and General Manager express to the governments of the four Atlantic Provinces sincere thanks for both the financial support received and the personal cooperation and assistance rendered to the APTC by their appointees to the Board of Directors. Without this financial support and the participation of the governments and their officials in the APTC's work, the benefits of the Commission to the industrial and business community would not be possible.*

*The support of the Atlantic Provinces Chamber of Commerce, in the form of appointments to our Board of Directors, is an important part of the Commission's structure. Through these appointments, together with the participation of the APCC President on our Board, the business community is well represented and this is gratefully acknowledged.*

*Also, the APTC's work would not be successful without the cooperation of the carriers serving the region. This cooperation is mutually beneficial and the thanks of the Directors and staff go to the carriers and their agencies.*

*The success of the APTC's work during the year is due, in no small measure, to the direction and support given by the Board of Directors. These Directors serve without remuneration and represent a broad range of economic interest and a wide geographic representation from throughout the four Atlantic Provinces. The Chairman and General Manager express their thanks to this dedicated advisory group.*

*Finally, without a loyal and dedicated staff, the APTC's work would not achieve for business and industry the success that it does. The APTC is indeed fortunate to have such a staff. To them, the Chairman and General Manager extend sincere thanks for discharging their duties in a conscientious and efficient manner.*

*All of which is respectfully submitted.*

David A. Scales
*Chairman*

Ramsay M. S. Armitage
*General Manager*

| APTC HISTORICAL NOTES | |
|---|---|
| **ORGANIZATIONAL NAME** | **YEARS** |
| Atlantic Provinces Transportation Commission | 1969 - |
| Maritimes Transportation Commission | 1951 - 69 |
| Transportation Committee of the Maritime Board of Trade | 1928 - 51• |
| Maritime Freight Rates Committee | 1925 - 28 |
| **APTC CHAIRMEN** | |
| David A. Scales | 1991 - |
| Brian K. Wentzell | 1988 - 91 |
| George Key | 1985 - 88 |
| E. S. Bailey | 1983 - 85 |
| Elwood S. Dillman | 1980 - 83 |
| George D. Wright | 1978 - 80 |
| Glendon F. Eddy | 1976 - 78 |
| Norman H. Smith* | 1974 - 76 |
| David G. Burchell | 1971 - 74 |
| J. M. Crosby* | 1963 - 71 |
| A. Murray MacKay* | 1954 - 63 |
| L. W. Simms* | 1950 - 54 |
| D. R. Turnbull* | 1945 - 50 |
| J. D. MacKenna* | 1940 - 45 |
| D. R. Turnbull* | 1938 - 40 |
| J. D. MacKenna* | 1936 - 38 |
| D. R. Turnbull* | 1934 - 36 |
| A. P. Paterson* | 1925 - 30• |
| **APTC MANAGERS** | |
| Ramsay M. S. Armitage | 1988 - |
| Craig S. Dickson | 1960 - 88 |
| Howard A. Mann | 1955 - 60 |
| Rand H. Matheson | 1934 - 55 |
| Frederick C. Cornell* | 1925 - 30• |

* Deceased

• Following the beginning of the Depression in 1929, the operation of the Commission under a full time Manager ceased from June 30, 1930, to August 1, 1934.